

“Preservation is simply having the good sense to hold on to things that are well designed, that link us with our past in a meaningful way, and that have plenty of good use left in them.”

*- Richard Moe,
National Trust for Historic Preservation*



ANNUAL COMPREHENSIVE FINANCIAL REPORT



Thomas Point Shoal Lighthouse
Annapolis

*A foundation of Trust,
a reserve of knowledge,
experience and the ability to serve
Maryland local governments*

For Fiscal Years Ended
June 30, 2022 and
June 30, 2021

Local Government Insurance Trust

7225 Parkway Drive

Hanover, Maryland 21076

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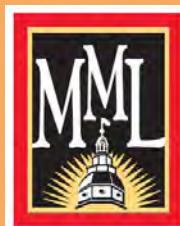
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FOUNDING ORGANIZATIONS



THE
MARYLAND
MUNICIPAL
LEAGUE



MARYLAND
Association of
COUNTIES

Prepared By
Local Government Insurance Trust
Department of Finance and
Information Technology
J. Earle Beyer, Director



ANNUAL COMPREHENSIVE FINANCIAL REPORT



*A foundation of Trust,
a reserve of knowledge,
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Maryland local governments*

For Fiscal Years Ended
June 30, 2022 and
June 30, 2021



St. Clement's Island Museum
St. Mary's County



**The Annual Comprehensive Financial Report
of the Local Government Insurance Trust
for the fiscal years ended
June 30, 2022 and June 30, 2021
is hereby respectfully submitted.**

*A foundation of Trust,
a reserve of knowledge,
experience and the ability to serve
Maryland local governments*

**For Fiscal Years Ended
June 30, 2022 and
June 30, 2021**



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Letter from the Chair

Your Trust in FY 2022



The Local Government Insurance Trust (“the Trust”) is an insurance pool created in 1987 in response to the lack of available, affordable insurance for Maryland’s local governments. Because the Trust is local to Maryland, and is owned and operated by Maryland’s local governments, its primary purpose is to resolve the risk management needs of its members. Unlike a typical “insurance company,” the Trust is a nonprofit organization, governed by its members through an elected Board of Trustees. Members can directly access the Board of Trustees, the Chairman of the Board and the Executive Director concerning their risk management and insurance issues.

While 2022 has presented its unique challenges, the one thing that Maryland’s local governments have not had to worry about this year is insurance coverage. I am proud to say that the Trust continues to serve the needs of Maryland’s Municipalities both now and in the future. Our member quarterly surveys revealed that our employees have continued to diligently serve your needs in FY 22.

FY 2022 was also incredibly challenging year due to an increase in the number of police liability and automobile claims received resulting in large underwriting losses. In addition, the Trust had an unusually down year with losses on the investment portfolio. Fortunately, in FY 21, The Trust had one of its best investment years ever.

In Fiscal year 2022, the Trust added one new member and retained all of its member municipalities and member counties from the previous year. In fiscal year 2022, Trust membership includes 17 counties, 147 municipalities, 24 sponsored entities, the Maryland Municipal League (MML), the Maryland Association of Counties (MACo) and the Local Government Insurance Trust.

Training continues to be a primary focus of our risk management efforts, because the better trained employees results in fewer losses. In fiscal year 2022, despite the continuing challenges presented by the COVID-19 Pandemic, the Trust provided 48 in person training and educational opportunities across the state, which were attended by 1,323 local government officials and employees. More information can be found in the Trust’s Executive Director’s Transmittal letter for the Annual Comprehensive Financial Report (ACFR) concerning the virtual training provided by the Trust.

In 2022, the Trust also continued its outreach to organizations and groups representing and/or affiliated with the Trust members. These groups included the Maryland Sheriff’s Association, the Maryland Police and Correctional Training Commission, the Maryland GFOA, the Chesapeake Employers Insurance Company, the Public Risk Insurance Management Association, the National League of Cities Risk Information Sharing Consortium, the National Association of Counties and of course, MACo and MML. The Trust continued its sponsorship of MACo, MML, and the School of Public Policy at the University of Maryland, to conduct the Academy for Excellence in Local Governance.

From a financial standpoint, for fiscal year 2022, the Trust reports an overall decrease in net position of approximately \$10,580,000 which includes \$3,541,000 returned to LGIT members in the form of premium credits. The premium credits were granted as follows: \$2,384,000 was returned to the members of the Primary Liability Pool (PLP), \$743,000 to the members of the Property Pool and \$414,000 to members of the Excess Pool. We also anticipate returning an additional \$3,280,000 of credits in the coming fiscal year 2023. Overall, the Trust continues to maintain a very healthy reserve and is in excellent financial condition with a net position approximately \$50,000,000. Information regarding the rate stabilization credit program can be found in Note 7 of the Notes to the Financial Statements contained in this ACFR.

Also included in the ACFR are the Transmittal letter and Management’s Discussion and Analysis, which provide detail regarding the financial operations of the Trust. Additionally, the basic financial statements include the Notes to the financial statements, which are an integral part of the annual report. The annual audit went very well largely due to the quality and the stability of the staff in our Finance Department and the work of our Finance/Audit Committee.

Continued from page v

My sincere appreciation is extended to all members for their support, input and ideas that have made the Trust what it is today. I also express my gratitude to my dedicated fellow Board members and the many local government officials who serve on the Trust's committees. These volunteers are to be commended for their extra effort in making this year a great one.

Finally, I would like to take this opportunity to thank the highly experienced staff for its hard work throughout the year. Their commitment and dedication to Maryland's local governments are what sets us apart from the competition.

Respectfully submitted,

John D. Miller, Chair
Burgess, Middletown

Introductory Section



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[Certificate of Achievement for Excellence in Financial Reporting](#)

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[LGIT Staff](#)

[LGIT Organizational Chart](#)





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November 9, 2022

Board of Trustees
Local Government Insurance Trust
7225 Parkway Drive
Hanover, Maryland 21076

Ladies and Gentlemen:

The Annual Comprehensive Financial Report (ACFR) of the Local Government Insurance Trust (Trust) for the year ended June 30, 2022 is hereby respectfully submitted. The Trust's finance department prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Trust. We believe the data, as presented, is accurate in all material respects; presented in a manner designed to fairly present the financial position, results of operations and cash flows of the Trust. It also provides all disclosures necessary to enable the reader to gain the maximum understanding of the Trust's financial affairs.

The ACFR is presented in three sections: introductory, financial and statistical. The introductory section contains this transmittal letter, which includes a discussion of the financial activities and substantive highlights for the fiscal year, a list of the Trust's members, a list of the Trust's officers, the Trust's organizational chart and a copy of the fiscal year 2021 Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association. The financial section includes the independent auditors' report, management's discussion and analysis, the audited basic financial statements, required supplementary information, and supplementary combining schedules. The statistical section includes selected financial and statistical data, generally presented on a multi-year basis.

The Reporting Entity and Its Services

The Trust is a joint association of Maryland local governments formed July 1, 1987 to provide insurance coverage and other risk management services. Specifically, the Trust provides insurance coverage for certain classes of casualty and property related risks, as well as support services such as litigation, administration and management of claims, risk management and loss control services, training and property valuations. As of June 30, 2022, the Trust operates three pools of coverage: the Primary Liability Pool, the Property Pool, and the Excess Liability Pool. The Trust also sponsors Environmental Impairment Liability and Bond Programs. Outside insurance carriers hold the financial risk of both programs and its participants deal directly with them. The Trust also offers its members Cyber insurance and Equipment Break-down programs for which it holds limited financial risk. The Trust also serves as the administrator and treasurer for the Local Government Insurance Trust Health (LGIT Health) which is a self-insurance alliance among member governments. LGIT Health is a separate entity from the Trust and the Trust holds no financial risk associated with the role of treasurer and administrator. Membership in the Trust is limited to Maryland local governments that are members of either the Maryland Association of Counties (MACo) or the Maryland Municipal League (MML).

A Board of Trustees (Board) consisting of 12 voting members governs the Trust. The Board is comprised of five municipal and five county officials all elected by the membership. Additionally, both executive directors of MACo and MML serve as ex-officio Trustees. The Board elects a Chairman, Vice-Chairman and a Secretary from its members and Elected Trustees are eligible for reelection every three years. The day-to-day operations of the Trust are overseen by the Executive Director, who is the chief administrative officer and is responsible for the administrative implementation of policies stated in the Trust Agreement and By-Laws, as well as the policy manual and as established by the Board.

Economic Outlook

For the upcoming new fiscal year of 2023, there is a 100% retention of counties and municipalities from fiscal year 2022. Sponsored entity Baltimore Metropolitan Council was added to the Primary, Property and Excess programs.

The current economic indicators point to a relatively unstable property & liability insurance market for the remainder of calendar year 2022 and even possibly for the entire fiscal year of 2023. The recent reinsurance renewal rates increased by 20% and 5% for the Property pool and the Excess Pool, respectively. The renewal rate for Equipment Breakdown remained relatively flat. According to the Actuary, the surplus for the Excess pool is large enough to support the reinsurance premium at the \$1,000,000 layer in coverage at no charge to members in fiscal year 2023.

The average changes in member premium funding levels for Fiscal Year 2023 per pool are an increase of approximately 3.6 % for the Primary Liability Pool, 24% increase for the Property Pool and 5% increase for the Excess Liability Pool. The Trust will continue granting premium credits to eligible members with the anticipation of returning approximately \$3,280,000 to the membership.

In Fiscal Year 2023, SST will work with Loss Control department staff to deploy the new Loss Control Module, which aims to increase efficiency and consistency by automating field data collection and production of recommendations documents.

MAJOR INITIATIVES

For the Year

The following highlights some of the Trust's major accomplishments during fiscal year 2022:

- ❑ **INFORMATION TECHNOLOGY** – In Fiscal Year 2022, Synergistic Solution Technologies (SST) added several claim administration enhancements to the Risk360 Policy & Claim Administration System. The theme of these enhancements was to increase member communication, consistency, and efficiency in an era of hybrid work. Additional member staff are now automatically notified via email when an incident/claim is reported. During claim setup a checklist tailored to the type of claim is automatically created to boost claim analyst productivity while simultaneously providing a better audit trail. Claims are now automatically reported to ISO ClaimSearch when the minimum amount of information has been collected and entered by the claim analyst.
- ❑ **TRAINING** – Training continues to be a primary focus of our risk management efforts. In Fiscal Year 2022, the Trust provided 48 training and educational opportunities across the state attended by 1,323 local government officials and employees. The most requested types of training include Defensive Driving, Certified Flagger training for public works employees, Supervisory training, Reasonable Suspicion for drug and alcohol abuse in the workplace and Harassment in the Workplace. Academy CORE courses Basics of Risk Management (2) and Employment issues were presented at MML Summer Conferences and LGIT Annual Meeting respectively.
- ❑ **RATE STABILIZATION CREDITS** – In Fiscal Year 2022, for the fourteenth year in a row, the Board of Trustees implemented a return of equity in the form of rate stabilization credits for the eligible members of the PLP. The equity return follows the policies concerning equity as stated in Article VIII, Section 8.03(b) of the Trust Agreement. Each member's share of the equity return was deposited into their respective rate stabilization accounts. Funds in the account are used by each member, at their discretion, as a credit or offset to their annual primary liability premiums. The Board has limited the annual credit to 50% of the account balance. The remainder will be left in the account and can be available in subsequent years. The funds in the rate stabilization accounts can only be used by individual members as an offset against primary liability

premiums which will require a renewal of membership. The Board approved a total funding of \$1,000,000 to be allocated to member accounts based on their respective claim experiences.

For the second time, in Fiscal Year 2022, the Board of Trustees approved a rate stabilization credit for eligible members of the Property Pool. The credits were distributed based on the proportionate size of each Property members charged gross premium amount. The Board approved a total funding of \$500,000.

- MEMBERSHIP CREDITS** – As part of a larger plan to return surplus from the PLP, the intent of this credit is to reward all pool members with a general membership credit for participation in the PLP. The total available funding for this credit is \$500,000 and is distributed across the membership in relation to individual premiums paid. A second membership credit rewards all pool members based on membership longevity. The total available funding for this credit is \$500,000.
- PROPERTY CREDIT** – All members of the Property pool who carry a \$10,000 deductible for boiler and machinery claims will receive the coverage at no cost and is given back in the form of a credit on their annual premium invoices.
- LOSS CONTROL CREDIT SURVEY** – As part of a larger plan to return surplus from the PLP, the intent of this credit is to reward those members who have engaged in exceptional loss control activities. Funding of \$300,000 was allocated to this effort in Fiscal Year 2022. Members completed an online survey broken down into sets of questions appropriate to the individual lines of coverage offered by the pool. Depending upon their loss control score, qualifying members receive a credit of approximately 4% of premium
- LAW ENFORCEMENT LOSS CONTROL CONSULTANT** – 48 Member law enforcement agencies were visited in fiscal year 2022. In many cases loss control recommendations were made to their command personnel to help in liability and risk mitigation.
- LOSS REDUCTION TRAINING GRANTS** – The Board of Trustees approved Risk Management grants of \$100,000. LGIT is encouraging our law enforcement agencies to take advantage of new training and services being made available to them to help improve the status of their general orders and other policies and procedures and staff training.
- LAW ENFORCEMENT BODY CAMERA GRANT PROGRAM** – The Board of Trustees approved a special equipment grant with total available funding of \$75,000 in the form of a 50% matching grant not to exceed \$5,000 for member law enforcement agencies pursuing purchasing body cameras for their personnel.
- LAW ENFORCEMENT MEMORIAL GRANT PROGRAM** – The Board of Trustees approved a special law enforcement memorial grant with total available funding of \$5,000 to provide training for one police recruit who is employed by a Trust member law enforcement agency. Grant funds are awarded to one local government member and may be used to send the designated individual to a state approved police academy training facility.
- LEGAL SERVICES** – Legal staff maintains an approximate monthly average of 120 claims in litigation (lawsuits). Generally, approximately 40 of these lawsuits are general/auto liability suits, and approximately 59 are police/public official liability cases. Legal staff also maintains a monthly average of approximately 21 administrative charges of employment discrimination. Legal staff works directly with Claims Services on each police/public official claim, providing analysis, strategy, attorney assignment, proper reserves, and settlement recommendations. With four in-house counsel, LGIT is able to keep outside counsel fees at a reasonable level. Over the past year, legal staff achieved numerous successful outcomes in both jury and bench trials and achieved even more favorable results through motions and settlements in both federal and state courts.
- HEALTH COOPERATIVE** – LGIT Health, consisting of 24 LGIT members, completed its thirteenth year as of June 30, 2022. In February 2022, the Coop returned \$3,544,957 in surplus funds to its members with good claim experience in plan year 2021. The surplus numbers for plan year 2022 should be finalized by the end of calendar year 2022.

FINANCIAL MANAGEMENT AND CONTROLS

The basic financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities, and necessarily include amounts based upon reliable estimates and judgments. The Trust's accounting records are maintained using an economic resources measurement focus and the accrual basis of accounting. A summary of the Trust's significant accounting policies is discussed in more detail in Management's Discussion and Analysis and also in the Notes to the Financial Statements found in the financial section of this report.

Internal Accounting Structure

Internal controls have been put in place to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits derived from the control, and that the evaluation of costs and benefits requires reasonable business judgment by management. All internal control decisions are made within the above framework. Management believes the Trust's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Control

A detailed annual budget is prepared prior to the start of each fiscal year and submitted to the Board for review and approval. Trust management is required by the Board to control expenditures and stay within its guidelines. The approved budget is also used as a management tool to aid in the evaluation of performance. Detailed reports comparing budget to actual are provided to the Board on a quarterly basis. The Trust's independent auditors do not audit these internal management reports.

Cash Management

The Department of Finance is responsible for daily cash management and monitoring the activities of the external investment managers. The Trust receives daily pricing of investment securities owned, a monthly reporting of all transactions and cash flows as well as quarterly performance reports. All securities are held in safekeeping with a third-party custodian bank as designated by the Board.

Risk Management

The Trust continually seeks ways to manage the risks of each pool of coverage it offers. The Trust provides a number of programs to assist its members in controlling losses and managing risk including various seminars, training programs and property inspection services. Further, the Trust utilizes the services of an independent consulting actuary. The actuary performs regular reviews to assist the Trust in establishing appropriate loss reserves and contribution rates. The Trust has also purchased reinsurance to protect against unusually severe individual claim losses.

Independent Financial Audit

Mitchell & Titus, LLP, an independent certified public accounting firm, provides an objective, independent examination of the Trust's basic financial statements. Its audit includes those auditing procedures that it deems necessary to express an opinion on the fairness, in all material respects, of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Mitchell Titus's unmodified opinion on the Trust's basic financial statements as of and for the fiscal years ended June 30, 2022 is included in the financial section of this report. CliftonLarsonAllen performed the financial audit for fiscal year ended June 30, 2021.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Trust for its Annual Comprehensive Financial Report (ACFR) for the Fiscal Year ended June 30, 2021. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. FY2021 marks the 21st year in a row that the Trust has received this significant award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized ACFR, whose contents conform to program standards. The ACFR must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

This report reflects the combined efforts of the Board, the Finance/Audit Committee, the Trust's management and staff. We would like to express our sincere appreciation to each of the Trust's members, the Board, the various local government officials that serve on the Trust committees and the employees of each governmental unit for their commitment to risk management and intergovernmental risk pooling. Their support and commitment is the reason for the continued successful operation of the Local Government Insurance Trust.

Respectfully submitted,



A handwritten signature in black ink.

Tim Ailsworth
Executive Director



A handwritten signature in black ink.

J. Earle Beyer
Director, Financial and IT Services

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Local Government Insurance Trust
Maryland**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

Fiscal Year 2022 Membership

Accident	Denton	Corporation of Keedysville	Ridgely
Annapolis	District Heights	Kensington	Rising Sun
Baltimore County	Dorchester County	Kent County	Riverdale Park
Barclay	Dorchester County	Kent County Public Library	Rock Hall
Barnesville	Sanitary District Inc.	Kitzmiller	Rockville
Barton	Eagle Harbor	La Plata	Village of Rosemont
Bel Air	East New Market	Landover Hills	Ruth Enlow Library of
Berlin	Easton	Laurel	Garrett County
Berwyn Heights	Edmonston	Laytonsville	Salisbury
Betterton	Eldorado	Leonardtown	Seat Pleasant
Bladensburg	Elkton	Local Government Insurance	Secretary
Boonsboro	Emmitsburg	Trust	Sharpsburg
Bowie	Fairmount Heights	Loch Lynn Heights	Sharptown
Brentwood	Federalsburg	Lonaconing	Smithsburg
Brookeville	Forest Heights	Luke	Snow Hill
Brookview	Friendsville	Manchester	Somerset
Brunswick	Frostburg	Mardela Springs	Somerset County
Burkittsville	Gaithersburg	Village of Martin's Additions	Somerset County Library System
Calvert County	Galena	Marydel	Somerset County
Calvert Library	Galestown	Maryland Association of	Sanitary District Inc.
Cambridge	Garrett County	Counties	Commissioners of
Cambridge Municipal Utilities	Garrett County Community	Maryland Municipal League	St. Mary's County
Commission	Action Committee Inc.	Middletown	St. Mary's County
Capitol Heights	Garrett County	Mid-Shore Regional Council	Metropolitan Commission
Caroline County	Sanitary District Inc.	Millington	Commissioners of St. Michaels
Caroline County Library	Garrett Park	Morningside	Sudlersville
Carroll County	Glen Echo	Mount Airy	Sykesville
Carroll County Public Library	Glenarden	Mount Rainier	Takoma Park
Cecil County	Goldsboro	Myersville	Talbot County
Cecilton	Grantsville	New Carrollton	Taneytown
Centreville	Greenbelt	New Market	The Humane Society of
Charles County	Greensboro	New Windsor	Carroll County Inc.
Charlestown	Hagerstown	North Beach	Thurmont
Chesapeake Beach	Hampstead	North Brentwood	Trappe
Chesapeake City	Hancock	Village of North Chevy Chase	Tri-County Council for
Chestertown	Havre de Grace	North East	Southern Maryland
Cheverly	Hebron	Northeast Maryland Waste	Tri-County Council for the
Chevy Chase	Henderson	Disposal Authority	Lower Eastern Shore
Chevy Chase View	Highland Beach	Oakland	Union Bridge
Chevy Chase Village	Hillsboro	Ocean City	University Park
Section 3 of the Village	Howard Community College	Oxford	Upper Marlboro
of Chevy Chase	Howard County	Perryville	Vienna
Village of Chevy Chase Section 5	Howard County Economic	Pittsville	Walkersville
Church Creek	Development Authority	Pocomoke City	Washington County
Church Hill	Howard County	Poolesville	Washington Grove
Corporation of Clear Spring	Housing Commission	Port Deposit	Westernport
College Park	Howard County Library	Port Tobacco Village	Westminster
Colmar Manor	Hurlock	Preston	Wicomico County
Cottage City	Hyattsville	Princess Anne	Willards
Crisfield	Indian Head	Queen Anne	Williamsport
Cumberland	Industrial Development	Queen Anne's County	Worcester County
Deer Park	Authority of Carroll County	Queenstown	Worcester County Library
		Ride With Us, Inc.	

Fiscal Year 2022 Board of Trustees



John D. Miller, Chair
Burgess, Town of Middleton



Theodore Zaleski, III, Vice Chair
*Director of Management & Budget,
Carroll County*



Abigail McNinch, Ph.D., Secretary
Mayor, Town of Denton



Scott Hancock, Ex-Officio
*Executive Director,
Maryland Municipal League*



Michael J. Sanderson, Ex-Officio
*Executive Director,
Maryland Association of Counties*



Tracy Gant
*Mayor,
Town of Edmonston*



Shelley L. Heller
*County Administrator,
Kent County Commissioners*



Amy Lanham
*Risk Management Administrator,
Howard County*



Eric L. Jackson
*Chief of Treasury,
Charles County*



Daniel Mears
*Assistant City Manager,
City of Bowie*



Emily Keller
*Councilmember,
City of Hagerstown*



John E. O'Connor
*Commissioner,
St. Mary's County*

Fiscal Year 2022 Management and Staff

Executive



Timothy S. Ailsworth
Executive Director



Matthew Peter
*Assistant to the
Executive Director*



Samantha Fallat
*Office Manager/
Executive Assistant*

Finance and Information Technology Services



J. Earle Beyer
Director



Michael Becker
Systems Engineer



Sheryl Browning
*Applications Systems
Analyst*



Sheena Bell
Accounting Tech



Lynette Voegtli
Accounting Tech

Underwriting Services



Scott Soderstrom
Director



Ellen Nudd
Underwriter



Michelle Yannone
*Loss Control &
Underwriting
Associate*



Tammy Morrison
Underwriting Associate



Michele Keplinger
*Communications
and Member
Services Manager*

Field Services



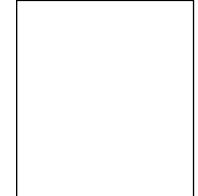
Larry Bohlen
Director



Everett Sesker
*Law Enforcement Loss
Control Consultant*



Allison Pinkine
*Loss Control Services
Professional*



Vacant
*Loss Control Services
Professional*

Fiscal Year 2022 Management and Staff

Claims Services



Tia Bowman
Director



Elizabeth Martinez
Litigation Analyst



Dorie Schwartz
*Senior Claims Analyst /
Property Claims Manager*



Charise Henderson
Claims Staff Associate



Warren Baskerville
Claims Analyst



Clyde Bessicks
Claims Analyst



Hollis Henry
Claims Analyst



Winter Jordan
Claims Analyst



Dallas Salters
Claims Analyst

Legal Services



Christine Altemus
*Director of Legal Services
General Lines*



Jason Levine
*Director of Legal Services
Professional Lines*



Ray Mulera
Attorney at Law



William Dickerson
Attorney at Law

Human Resources



Matthew Peter
*Human Resources Director &
Health Co-Op Account
Manager*



Samantha Fallat
*Human Resources
Associate*

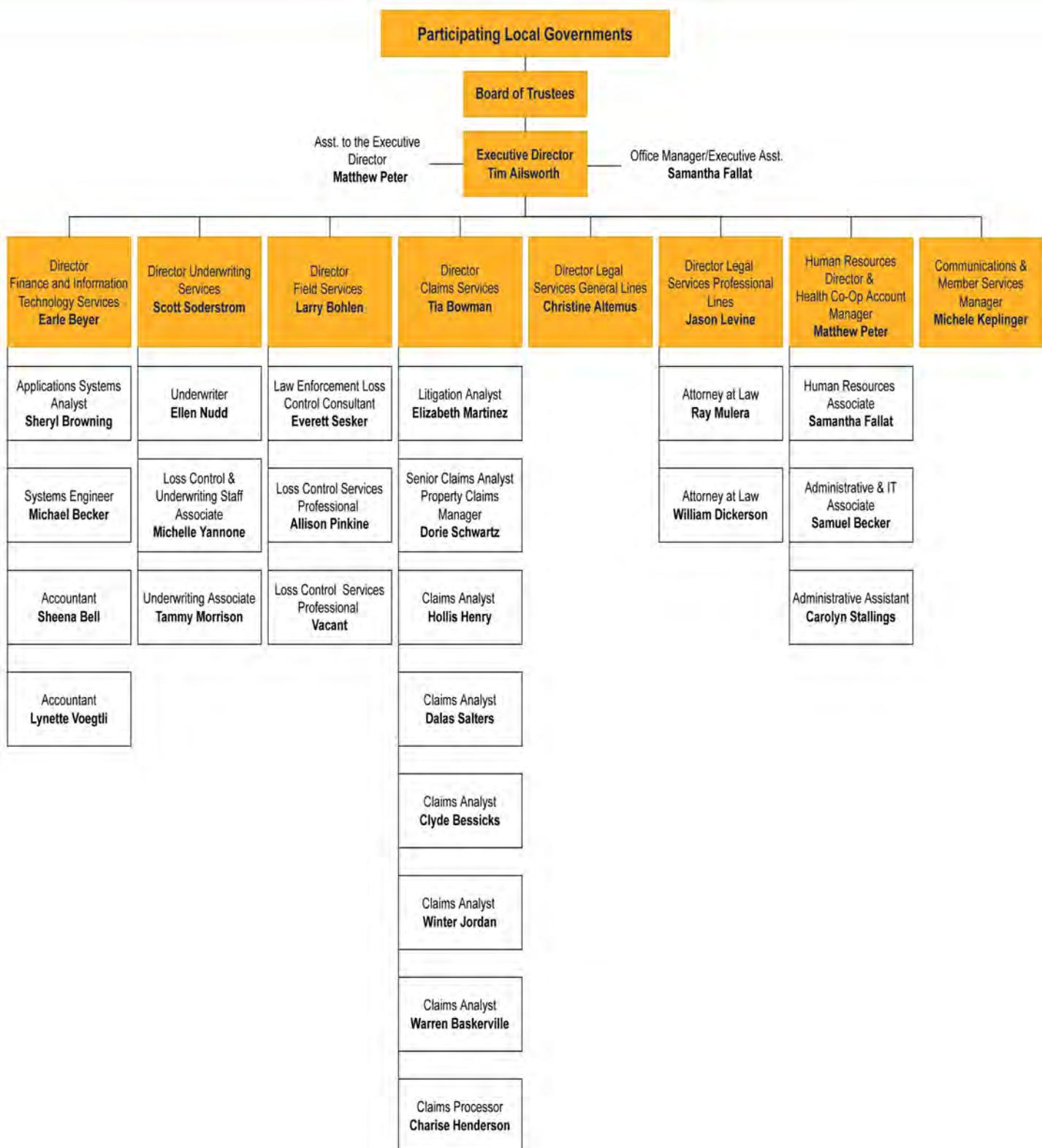


Samuel Becker
Administrative & IT Associate



Carolyn Stallings
Administrative Assistant

Fiscal Year 2022 Organizational Chart



Financial Section



Piney Point Lighthouse Museum
St. Mary's County

Independent Auditor's Report

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MITCHELL TITUS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Local Government Insurance Trust
Hanover, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the Local Government Insurance Trust (the Trust) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Local Government Insurance Trust as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other Matter

The financial statements of the Trust for the year ended June 30, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on October 13, 2021.

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Mitchell Titus

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.



Mitchell Titus

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 19 through 21 and the required supplementary information on pages 43 through 45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's basic financial statements. The Supplementary Combining Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Combining Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Letter from the Chair, Introductory Section, and Statistical Tables listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any other form of assurance thereon.

Mitchell Titus, LLP

November 9, 2022



Local Government Insurance Trust Management's Discussion and Analysis

Years Ended June 30, 2022 and 2021

This section of the Annual Comprehensive Financial Report presents a discussion and analysis of the financial performance of the Local Government Insurance Trust (Trust) as of and for the years ended June 30, 2022 and 2021. Please read it in conjunction with the financial statements, which follow this section.

The following is a brief description of the Trust's three basic financial statements:

STATEMENT OF NET POSITION — This statement presents information reflecting the Trust's assets, liabilities and net position. The statement of net position categorizes assets and liabilities as current and noncurrent. For purposes of this financial statement, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or become due within twelve months of the statement date.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION — This statement reflects the operating revenues and expenses, as well as non-operating revenues and expenses of the Trust. The Trust's major source of operating revenues is premium income with the major source of operating expenses being incurred claims and claims adjustment expenses. The change in net position is similar to net profit or loss for any other insurance company.

STATEMENT OF CASH FLOWS — The statement of cash flows is presented on the direct method of reporting which reflects cash flows from operating, capital and related financing, noncapital and related financing, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase in cash and cash equivalents for the fiscal year. Due to timing differences associated with accrual accounting, the net cash provided by operating activities is different than the amount of operating loss reported on the statement of revenues, expenses and changes in net position; therefore, a reconciliation is also provided.

Financial Summary

The following table summarizes the financial position of the Trust at June 30, 2022, 2021 and 2020, respectively.

Summary of Net Position

	2022	2021	2020
ASSETS			
Current assets	\$ 34,925,152	\$ 51,124,595	\$ 35,819,215
Capital assets	2,769,587	2,897,106	3,002,190
Other noncurrent assets	38,818,343	32,169,835	33,161,239
Total Assets	76,513,082	86,191,536	71,982,644
LIABILITIES			
Current liabilities	9,153,985	11,119,638	8,174,613
Noncurrent liabilities	17,553,873	14,686,526	11,207,192
Total Liabilities	26,707,858	25,806,164	19,381,805
NET POSITION			
Net Investment in capital assets	2,769,587	2,897,106	3,002,190
Unrestricted	47,035,636	57,488,266	49,598,649
TOTAL NET POSITION	\$ 49,805,223	\$ 60,385,372	\$ 52,600,839

Total Assets

Total assets decreased by approximately \$9,678,000 between June 30, 2022 and 2021 primarily due to investment losses of approximately \$4,914,000 combined with a several large claim payments included as part of incurred claims on the Statement of Revenues, Expenses and Changes in Net Position.

Total assets increased by approximately \$14,209,000 between June 30, 2021 and 2020 primarily due to investment income of approximately \$13,119,000 reinvested into the Trust's investment portfolios.

Total Liabilities

The most significant components of the Trust's liabilities are related to unpaid claims and claim adjustment expenses. Unpaid claims and claim adjustment expense is a liability (with short-term and long-term components) calculated by the Trust's actuary for all pools and it increased by approximately \$3,115,000 from year end 2021 across all lines of coverages. The change in liability is also reported on the Statement of Revenues, Expenses and Changes in Net Position. The liability increased in fiscal year 2021 by approximately \$4,680,000.

The balance of the health plan cooperative payable decreased by \$2,448,00 due to member payouts exceeding member deposits in fiscal year 2022.

The balance of the health plan cooperative payable decreased by \$1,703,000 due to member payouts exceeding member deposits in fiscal year 2021.

The following table summarizes the change in net position for fiscal years ended June 30, 2022, 2021 and 2020, respectively.

Summary of Revenues, Expenses and Changes in Net Position

	2022	2021	2020
Operating revenues	\$ 13,383,444	\$ 12,664,386	\$ 12,883,070
Operating expenses	19,049,143	17,999,067	12,382,846
Operating income (loss)	(5,665,699)	(5,334,681)	500,224
Nonoperating income	(4,914,427)	13,119,214	2,905,757
Change in net position	(10,580,126)	7,784,533	3,405,981
Net position, beginning of year	60,385,349	52,600,839	49,194,858
Net position end of year	\$ 49,805,223	\$ 60,385,372	\$ 52,600,839

Results of operations

Revenues

Total operating revenues remained relatively consistent throughout the period from fiscal year 2021 to fiscal year 2022 with a minor growth of approximately 5.7%.

Expenses

Operating expenses are comprised of incurred claims and claim adjustment expenses (net of recoveries) and the Trust's general and administrative (G&A) expenses.

The total operating expenses increased by approximately \$1,050,000 in fiscal year 2022 compared to fiscal year 2021 due to the increase in incurred claims.

The total operating expenses increased by approximately \$5,616,000 in fiscal year 2021 compared to fiscal year 2020 due to the increase in the change in liability in unpaid claims compared to the decrease in this reserve during the prior year

Nonoperating Revenue

Investment income was approximately \$18,034,000 lower in fiscal year 2022 compared to 2021. This was partly due to the very strong investment performance in fiscal year 2021 compared to the approximate \$4,914,000 of investment loss in fiscal year 2022.

Investment income was approximately \$10,213,000 higher in fiscal year 2021 compared to 2020. This was due to the continued dramatic recovery of the financial markets mainly caused by the Corona virus pandemic in the most recent prior fiscal years.

The annualized investment returns for fiscal years 2022, 2021 and 2020 are summarized by investment type as follows. These returns do not include any return or loss on the Trust's deposit with the reinsurance pool.

	2022	2021	2020
Fixed income	-8.42%	0.66%	7.28%
Equity	-10.62%	44.39%	-0.46%
Alternative strategies	-9.85%	29.55%	-2.23%
Total LGIT investments	-9.09%	20.72%	4.09%

As of June 30, 2022 and June 30, 2021 respectively, the Trust's portfolio allocations were 48% and 52% fixed, 45% and 42% equity and 7% and 6% alternative strategies.

Conclusion

This financial report is designed to provide Trust members with a general overview of the Trust's finances, and to demonstrate the Trust's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to J. Earle Beyer, Director of Finance/Information Technology, 7225 Parkway Drive, Hanover, Maryland 21076.

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Local Government Insurance Trust

Statements of Net Position

June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents (note 3)	\$ 2,480,791	\$ 2,336,415
Investments (note 4)	29,569,998	47,818,791
Premiums receivable	200,699	384,093
Interest income receivable	144,222	119,736
Reinsurance receivable (note 8)	2,442,759	325,032
Other	86,683	140,528
Total current assets	<u>34,925,152</u>	<u>51,124,595</u>
Noncurrent assets:		
Investments (note 4)	28,035,703	22,450,860
Capital assets (note 5)	2,769,587	2,897,106
Deposit with reinsurance pool (note 8)	<u>10,782,640</u>	<u>9,718,975</u>
Total noncurrent assets	<u>41,587,930</u>	<u>35,066,941</u>
Total assets	<u>76,513,082</u>	<u>86,191,536</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	295,656	23,379
Unpaid claims and claim adjustment expenses (note 6)	7,794,522	7,558,358
Due to health plan cooperative custodial fund	278,619	2,726,629
Rate stabilization fund (note 7)	508,358	519,535
Other	276,830	291,737
Total current liabilities	<u>9,153,985</u>	<u>11,119,638</u>
Noncurrent liabilities:		
Unpaid claims and claim adjustment expenses (note 6)	17,043,874	14,165,351
Capitalization contributions	1,640	1,640
Rate stabilization fund (note 7)	<u>508,359</u>	<u>519,535</u>
Total noncurrent liabilities	<u>17,553,873</u>	<u>14,686,526</u>
Total liabilities	<u>26,707,858</u>	<u>25,806,164</u>
NET POSITION		
Net investment in capital assets	2,769,587	2,897,106
Unrestricted	47,035,636	57,488,266
Total net position	<u>\$ 49,805,223</u>	<u>\$ 60,385,372</u>

See accompanying notes to the financial statements.



Local Government Insurance Trust
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Revenues		
Gross premiums earned	\$ 24,530,156	\$ 21,623,423
Less: Premium credits	(3,541,056)	(3,245,306)
Ceded premiums	(7,891,398)	(5,902,115)
Net premiums earned	13,097,702	12,476,002
Other revenues	285,742	188,384
Total operating revenues	<u>13,383,444</u>	<u>12,664,386</u>
Operating Expenses		
Claims and claim adjustment expenses incurred (note 6)		
Paid, net of recoveries	9,831,221	7,231,918
Change in liability for unpaid claims and adjustment expenses	3,114,687	4,679,650
General and administrative expenses	5,967,189	5,946,502
Depreciation expense	136,046	140,997
Total operating expenses	<u>19,049,143</u>	<u>17,999,067</u>
Operating loss	<u>(5,665,699)</u>	<u>(5,334,681)</u>
Nonoperating Revenues		
Investment income	<u>(4,914,427)</u>	<u>13,119,214</u>
Change in net position	<u>(10,580,126)</u>	<u>7,784,533</u>
Net position, beginning of year	<u>60,385,349</u>	<u>52,600,839</u>
Net position, end of year	<u>\$ 49,805,223</u>	<u>\$ 60,385,372</u>

See accompanying notes to the financial statements.



Local Government Insurance Trust
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Premiums collected	\$ 21,161,926	\$ 17,977,970
Other revenue collected	340,905	188,384
Recoveries of claims paid	1,978,364	1,378,816
Ceded premiums paid	(7,615,214)	(5,902,115)
Claims and claim adjustment expenses paid	(13,929,273)	(8,388,921)
General and administrative expenses paid	(5,997,145)	(5,847,355)
Net cash (used in) operating activities	<u>(4,060,437)</u>	<u>(593,221)</u>
Cash flows from noncapital financing activities:		
Net Health Cooperative cash flows	(2,448,011)	1,703,449
Net cash provided by (used in) noncapital financing activities	<u>(2,448,011)</u>	<u>1,703,449</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(8,527)	(35,998)
Net cash (used in) capital and related financing activities	<u>(8,527)</u>	<u>(35,998)</u>
Cash flows from investing activities:		
Purchase of investments	(37,784,073)	(22,641,792)
Proceeds from maturities of investments	40,921,227	19,604,707
Investment income received	3,524,197	2,645,749
Net cash provided by (used in) investing activities	<u>6,661,351</u>	<u>(391,336)</u>
Net change in cash and cash equivalents	144,376	682,894
Cash and cash equivalents, beginning of year	2,336,415	1,653,521
Cash and cash equivalents, end of year	\$ 2,480,791	\$ 2,336,415
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (5,665,699)	\$ (5,334,681)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation expense	136,046	140,997
Effects of changes in operating assets and liabilities:		
Premiums receivable	183,394	(356,332)
Reinsurance receivable	(2,117,727)	238,737
Other assets	53,845	(2,851)
Accounts payable and accrued expenses	272,277	(12,723)
Unpaid claims and claim adjustment expenses	3,114,687	4,679,650
Other liabilities	(37,260)	53,982
Total adjustments	<u>1,605,262</u>	<u>4,741,460</u>
Net cash (used in) operating activities	\$ (4,060,437)	\$ (593,221)
Noncash investing, capital and financing activities:		
Net unrealized gain (loss) in fair value of investments included in investment income	\$ (8,847,636)	\$ 8,717,341

See accompanying notes to the financial statements



Local Government Insurance Trust
Statements of Fiduciary Net Position
Years Ended June 30, 2022 and 2021

	2022		2021	
Assets				
Due from Local Government Insurance Trust	\$	278,618	\$	2,726,629
Net Position				
Net Position Restricted for other organizations	\$	278,618	\$	2,726,629



Local Government Insurance Trust
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2022 and 2021

	2022	2021
Additions		
Member deposits	\$ 31,503,650	\$ 29,891,252
Deductions		
Claims and administrative expenses	<u>33,951,661</u>	<u>28,187,803</u>
Change	(2,448,011)	1,703,449
Net Position, beginning of year	2,726,629	1,023,180
Net Position, end of year	<u>\$ 278,618</u>	<u>\$ 2,726,629</u>

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Local Government Insurance Trust

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

■ **NOTE 1 — Organization and Purpose**

The Local Government Insurance Trust (Trust) is a joint association of Maryland local governments established in 1987 to provide an alternative to the diminishing availability of insurance coverages to the public sector and the increasing premium costs in the municipal insurance market. The Trust strives to provide coverage and risk management services at stable and competitive rates. The Trust is owned and directed by the local governments that subscribe to its coverages and operates under the terms of the eighth amended and restated Trust Agreement effective July 1, 2004.

The Trust's Board of Trustees (Board) is empowered to establish pools to provide coverage for any class of casualty, health, life or property related risks. As of June 30, 2022, the currently active pools are the following: the Primary Liability Pool (184 participants), the Property Pool (171 participants), and the Excess Liability Pool (188 participants). Membership in the pools is limited to local governments that are members of the Maryland Municipal League (MML) or Maryland Association of Counties (MACo). A participating local government may also sponsor a public entity within its district for participation in a pool. Each member agrees to comply with a plan of risk management as determined by the Trust. In the event a pool reports an operating deficit, the Trust may either assess the pool participants to cover the deficit or increase premiums.

The Primary Liability Pool (PLP) provides coverage for commercial general liability, police legal liability, public official's legal liability, and business automobile coverage. The maximum limit of liability to the PLP may not exceed \$1,000,000 for any one claim or occurrence per participant. The Property Pool provides coverage for property based on the determined insured values of the property. The Excess Liability Pool (ELP) has a maximum limit of \$5,000,000 for each occurrence and in the aggregate for occurrence-based coverage; and \$5,000,000 for each occurrence, and in the aggregate, for claims-made coverage. Participants in the ELP must either self-insure retention of \$1,000,000 or purchase primary liability coverage from the Trust. The Trust will not insure coverages over other commercial insurance companies. The financial statements include these pools as well as a general Operating Account and an Escrow Deposit Account.

In fiscal year 2011, the Trust established LGIT Health, a self-insurance alliance between member governments. LGIT Health was established as a self-insured health plan for the purpose of providing group health benefits to its members' employees and eligible dependents. The plan was designed by and is administered by Benecon Group, Inc. (Benecon) through June 30, 2022. Automatic one-year renewals are provided under the agreement with Benecon unless written notice of termination is provided by February 1 of the year in which the agreement will terminate. Benecon is responsible for designing the benefit structure for each member, performing the underwriting function, selecting and negotiating rates with a stop-loss carrier, determining member funding levels, selecting and negotiating an agreement with a claims administrator, preparing quotations for prospective members, and performing other administrative functions. The Trust is responsible for governance, serving as the treasurer and depository for all cash flowing through LGIT Health, and establishing qualifications for membership. Each LGIT Health member pays a management fee based on the number of enrolled employees for administrative services performed. The Trust is entitled to 25 percent of the management fee and Benecon is entitled to the remaining 75 percent. Fiduciary funds are used to account for resources that an entity holds as a trustee or custodian on behalf of an outside party that cannot be used to support that entity's own programs. The Trust reports a custodial fund for LGIT Health.

■ **NOTE 2 — Summary of Significant Accounting Policies**

Basis of Presentation

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to public entity risk pools and enterprise funds as prescribed by the Governmental Accounting Standards Board (GASB). In preparing its financial statements, the Trust has applied all applicable GASB pronouncements. The Trust distinguishes operating revenues and expenses from nonoperating items. The principal operating revenues of the Trust are premiums charged to members for insurance coverage including special assessments, if any. Premiums are reflected net of reinsurance. Operating expenses

include claims and claim adjustment expenses and general and administrative expenses. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Trust is not subject to statutory reporting requirements for insurance companies.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

Cash and Cash Equivalents

The Trust considers demand deposits, money market funds and other investments with an original maturity of three months or less at the date of acquisition to be cash and cash equivalents.

Investments and Valuation

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis.

Following is a description of the valuation methodologies used for assets measured at fair value.

Fixed income securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Equity securities and mutual funds listed on a national market or exchange are valued at the last sales price, or, if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

Recognition of Premium Revenues

Annual property and liability premiums are written with an effective date of July 1 and are generally recognized as revenue on a pro rata basis over the policy term. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums. Special premium assessments and credits, if any, are recorded in the period in which they are approved by the Board. The Trust had no unearned premiums as of June 30, 2022 and 2021.

Reinsurance

The Trust limits the maximum net loss that can arise from large risks by reinsuring (or ceding) certain levels of risk with reinsurers under various reinsurance treaties. Ceded reinsurance is treated as the risk and liability of the reinsuring companies. Premiums and recoveries related to ceded business are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Ceded premiums are recorded as reductions of premiums earned and related claim recoveries are recorded as reductions of incurred claims and claim adjustment expenses.

Deferred Policy Acquisition Costs

Salaries and other costs of acquiring insurance that vary with and are primarily related to the production of new and renewal business are deferred and amortized over the terms of the policies or reinsurance treaties to which they relate. Deferred acquisition costs are reviewed periodically to determine if they are recoverable from future income, including investment income. If the deferred costs are not recoverable, they are charged to expense in the period of the review. The Trust had no deferred policy acquisition costs as of June 30, 2022 and 2021.

Capital Assets

All capital assets are carried at cost, net of accumulated depreciation. All acquisitions of individual capital assets in excess of \$1,000 with a useful life in excess of one year and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Electronic data processing equipment and software (EDP) are depreciated over three years. Furniture and equipment are depreciated over five years and the building is depreciated over forty years.

Insurance Liabilities

The Trust establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims and claim adjustment expenses. The Trust does not discount the liabilities for unpaid claims or claim adjustment expenses. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

GASB Pronouncements

The Trust implemented GASB Statement No. 84, Fiduciary Activities, during fiscal year ended June 30, 2021, which is effective for fiscal years beginning after December 15, 2019. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The implementation of GAB 84 resulted in the LGIT Health Fund being reported as a custodial fund.

The GASB issued Statement No. 87, Leases, which is effective for fiscal years beginning after June 15, 2021. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The Trust has determined that the adoption of GASB Statement No. 87 will have no material effect on its financial statements.

In January of 2020, the GASB issued Statement 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. There was only

one provision of this Omnibus that was relevant for The Trust and it involved the reporting of recoveries from reinsurance and excess insurers per GASB Statement 10. The first sentence in paragraph 37 of Statement 10 states that amounts that are recoveries from reinsurers or excess insurers are required to be reported as reductions of expenses by public entity risk pools. The GASB Board determined that this firsts sentence should be amended to not require that recoveries be reported as reductions of expenses. Governments that have been reporting reinsurance recoveries as reductions of expenses will still have the option to do so. The Trust will continue to report reinsurance recoveries as reductions of expenses, therefore the adoption of GASB Statement No 92 will have no effect of its financial statements.

In March 2020, the GASB issued Statement No 93, Replacement of Interbank offered Rates (IBORS),which is effective for fiscal year beginning after June 15, 2021. This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. This Statement also amends Statement No. 40, Deposit and Investment Risk Disclosures, paragraph 16; Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, paragraphs 22, 35, 37, 38, 46, 64, 76, and 82; Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, paragraph 135; and Implementation Guide No. 2015-1, Questions 1.4.3, 1.64.9–1.64.11, 1.64.14, 10.13.6, 10.13.7, 10.15.6, 10.15.9, 10.16.2, 10.16.3, 10.17.1, 10.18.1, 10.21.1–10.21.4, 10.22.2, 10.22.4, 10.27.4, and 10.29.2. The adoption of GASB Statement 93 in 2022 will have no impact on the Trust's financial statements.

In March 2020, the GASB issued Statement No. 94, Public-Private, Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Trust has determined that the adoption of GASB Statement 94 in 2023 will have no impact on the financial statements.

In May 2020, the GASB issued Statement No. 96. Subscription-Based Information Technology Arrangement, which is effective for fiscal years beginning after June 15, 2022. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The Trust has determined GASB Statement No. 96 will have no impact on the financial statements.

In June 2020, the GASB issued Statement No. 97. Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, which is effective for fiscal years beginning after December 15, 2021. The primary objectives of this Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Trust has determined GASB Statement No. 97 will have no impact on the financial statements.

In October 2021, the GASB issue Statement 98. This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. The Trust implemented this statement early.

In April 2022, the GASB issue Statement 99, Omnibus. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.

Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.

Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.

Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).

Disclosures related to nonmonetary transactions.

Pledges of future revenues when resources are not received by the pledging Government.

Clarification of provisions in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements.

Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

Terminology used in Statement 53 to refer to resource flows statements.

The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The Trust has determined that this requirement of GASB 99 will have no effect on its financial statements.

The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Trust has not yet determined the effect that this requirement may have on its financial statements.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Trust has not yet determined the effect that this requirement may have on its financial statements.

The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Trust has not yet determined the effect that this requirement may have on its financial statements.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Trust has not yet determined the effect that this requirement may have on its financial statements.

In June 2022, the GASB issued Statement No. 100, Accounting Changes and Error Correction. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Trust has not yet determined the effect that this requirement may have on its financial statements.

In June 2022, the GASB issued Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Trust has not yet determined the effect that this requirement may have on its financial statements.

Income Taxes

The income of the Trust is exempt from federal taxation under §115 of the Internal Revenue Code.

■ **NOTE 3 — Cash and Cash Equivalents**

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Trust's deposits may not be returned. The Trust does not have a formal custodial credit risk policy for deposits. Cash and temporary investments are maintained in one commercial bank and two broker-dealers located in Baltimore, Maryland. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Bank balances exceeded the \$250,000 FDIC coverage amount by \$2,274,091 and \$2,129,473, as of June 30, 2022 and 2021, respectively. Any Deposits throughout the fiscal year in excess of the FDIC specified limits were collateralized with U.S. Government securities at 102% of the cash value. Cash and temporary investments held by broker-dealers are insured by the Securities Investor Protection Corporation (SIPC) up to specified limits. Total cash and temporary investments held by the bank and broker-dealers were \$3,158,394 and \$2,964,875 as of June 30, 2022 and 2021, respectively.

Cash and cash equivalents consisted of the following as of June 30, 2022 and 2021:

	2022	Percentage of portfolio	2021	Percentage of portfolio
Cash	\$ 1,846,488	74.4%	\$ 1,750,913	74.9%
Maryland Local Government Investment Pool (MLGIP)	34,366	1.4%	34,424	1.5%
Money Market Mutual Funds	599,937	24.2%	551,078	23.6%
Total Cash and Equivalents	\$ 2,480,791	100%	\$ 2,336,415	100%

The Maryland Local Government Investment Pool (the “MLGIP”) was created under Maryland State Law and is regulated by the Maryland State Treasurer’s Office. The MLGIP may invest in any instrument in which the State Treasurer may invest. Permissible instruments are established by Sections 6-222 and 6-223 of the State Finance and Procurement Article. No direct investment may have a maturity date of more than 13 months after its acquisition. Securities of the MLGIP are valued daily on an amortized cost basis, which approximates fair value, and are held to maturity under normal circumstances.

The fair value of the position in the MLGIP is the same as the value of the MLGIP net assets (shares). The MLGIP is a 2a-7 like external investment pool, which issues a publicly available financial report that includes financial statements and required supplementary information for the MLGIP. This report can be obtained by writing: Maryland Local Government Investment Pool; c/o PNC Institutional Investments Group; One East Pratt Street; Baltimore, Maryland, 21202; by calling 1-800-492-5160.

Credit Risk

The MLGIP and all money market mutual funds carry AAA ratings with the exception of the fund used by the external investment managers, which are not rated but possesses all the characteristics of a AAA rated fund.

Interest Rate Risk

Interest rate risk is the risk changes in interest rates of debt investments that will adversely affect the fair value of an investment. Information about the exposure of the Trust's cash equivalents to this risk, using the segmented time distribution model is as follows:

	MLGIP	Money Market Mutual Funds
June 30, 2022		
Less Than 1 Year	34,366	599,937
Total	<u>\$34,366</u>	<u>\$599,937</u>
June 30, 2021		
Less Than 1 Year	34,424	551,078
Total	<u>34,424</u>	<u>\$551,078</u>

■ NOTE 4 — Investments

The Trust's investments are held in externally managed portfolios. There are no legal restrictions on the Trust's investments.

The Trust's investments are managed under the guidelines of a Board approved investment policy. This policy was amended in August 2017. In accordance with the policy, permitted investments for fiscal year 2022 remain the same as enforced during fiscal year 2021. Permitted investments include, but are not limited to, U.S. Government and agency securities, corporate securities, international/emerging market securities, high yield bonds, equity securities and other alternative securities to include Real Estate Investment Trusts and other liquid alternatives. Investments are registered and held by the Trust's custodian bank in the name of the Trust. The allocation policy for short-term operating cash stipulates 100% cash equivalents.

With the change in policy during fiscal year 2018, the Board of Trustees established a strategic capital allocation approach based on Trust financial projections, risk tolerance, and the desire for surplus growth. Strategically, the Trust's liabilities plus 25% of Net Position will be invested in a Reserve portfolio. The Reserve portfolio consists of a combination of high-quality fixed income and cost-efficient equity exposure, with the objective of supporting liabilities. The remaining 75% of net position will be invested in an Equity Enhancement portfolio, which consists of equities, opportunistic fixed income, and other growth-oriented strategies. The objective of the portfolio is capital appreciation and long-term growth of the Trust Net Position. After fiscal year end, the portfolio will be rebalanced, if necessary, to comply with the investment policy.

The Board of Trustees established the following asset allocation targets based on the Trust's financial projections, liquidity needs, and risk tolerance for both fiscal year 2021 and 2020, respectively.

Reserve Portfolio:

	Minimum	Maximum
US Equity	0%	15%
US Dividend Equity	0%	15%
Non-US Equity	0%	10%
Fixed Income – Intermediate	70%	100%
Cash Equivalents	0%	20%

Equity Enhancement Portfolio:

	Minimum	Maximum
US Large Cap Equity	10%	30%
US Small Cap Equity	10%	30%
Global Equity	20%	40%
Absolute Return/Alternatives	5%	25%
Fixed Income	5%	25%
Cash Equivalents	0%	20%

June 30, 2022:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2022
Investments by fair value level:				
Equity				
US Equity	\$ 20,678,812	\$ -	\$ -	\$ 20,678,812
Non-US Equity	5,139,871	-	-	5,139,871
Fixed Income				
US Government Agencies	-	11,782,475	-	11,782,475
Corporate and Foreign bonds	-	12,365,770	-	12,365,770
Mutual Funds	-	4,479,832	-	4,479,832
Total investments, at fair value	<u>25,818,683</u>	<u>28,628,077</u>	<u>-</u>	<u>54,446,760</u>
Investment carried at the Net Asset Value (NAV):				
Common Collective Trusts				3,158,951
Total investments	<u>25,818,683</u>	<u>28,628,077</u>	<u>-</u>	<u>57,605,711</u>

The Trust invests in one collective trust fund which consists of one investment, the objective is to achieve favorable income-oriented returns from a globally diversified portfolio of primarily debt or debt like securities and the preservation and enhancement of principal. This investment is valued at net asset value (NAV) of units of the commingled trust. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investment held by the fund less its liabilities. The valuation method of investments measured at the net asset value per share (or its equivalent) is presented on the following table:

Investment	NAV	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Colchester Global Bond Fund	\$ 3,158,951	-	Bimonthly	5 Days

The changes in values for all investments are included in investment income. The net unrealized change in value of the investments included in investment income was a net depreciation of \$8,847,636 and a net appreciation of \$8,717,341 for the years ended June 30, 2022 and 2021, respectively.

June 30, 2021:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2021
Investments by fair value level:				
Equity				
US Equity	\$ 27,828,555	\$ -	\$ -	\$ 27,828,555
Non-US Equity	6,035,842	-	-	6,035,842
Fixed Income				
US Government Agencies	-	13,931,329	-	13,931,329
Corporate and Foreign bonds	-	12,190,432	-	12,190,432
Mutual Funds	-	6,481,910	-	6,481,910
Total investments, at fair value	33,864,397	32,603,671	-	66,468,068
Investment carried at the Net Asset Value (NAV):				
Common Collective Trusts				3,801,583
Total investments	\$ 33,864,397	\$ 32,603,671	\$ -	\$ 70,269,651

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Trust places no limit on the amount invested in any one issuer. The Trust owned one investment of a single source that exceeds 5% of the total value of the investment portfolio that are required to be reported for the Colchester Global fund which has a balance of \$3,158,951 and \$3,801,583 as of June 30, 2022 and June 30, 2021, respectively.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Trust does not have a formal custodial credit risk policy for investments. Investments are held in the Trust's name by various Trust banks located in the United States of America. Securities are insured by the Securities Investor Protection Corporation (SIPC) up to specified limits. Balances in excess of SIPC limits are uninsured. Total securities held by Trust banks and in mutual funds were \$61,398,955 and \$70,855,053 as of June 30, 2022 and 2021, respectively.

Credit Risk

Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk exposure. Issuer obligations of U.S. Government Agencies and loan-backed securities of the Government National Mortgage Association (GNMA) and Department of Veterans Affairs (VA) have the explicit backing of the U.S. Government. Loan-backed securities of Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), and Federal Agricultural Mortgage Corporation (FAMC) have the implicit backing of the U.S. Government. The Trust's investment policy for fiscal years 2022 and 2021 stipulates that the overall average quality of the portfolio should be at least "A" or better, as measured by Standard & Poor's or Moody's Investor Service. Presented below is the minimum rating granted for each type of investment. No rating was available for the mutual funds.

	U.S. Government Agencies	Corporate & Foreign Bonds
June 30, 2022		
AAA	\$ 11,782,745	\$ -
AA	-	444,879
A	-	4,810,265
BBB	-	6,979,674
BB	-	130,952
Not Rated	-	-
Total	<u>\$ 11,782,745</u>	<u>\$ 12,365,770</u>
June 30, 2021		
AAA	\$ 13,931,329	\$ -
AA	-	398,678
A	-	4,906,336
BBB	-	6,799,003
BB	-	1,089
Not Rated	-	85,326
Total	<u>\$ 13,931,329</u>	<u>\$ 12,190,432</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value. Balances invested in the short-term portfolio are intended to fund the operating activities of the Trust for a one-year period and cash is invested accordingly to meet cash flow requirements. The Trust's investment policy stipulates that the duration of the fixed income portion of the portfolio should remain in the range of plus or minus two years of the Barclay's Intermediate Government Credit Index 3.96 and 3.90 years as of June 30, 2022 and 2021. The maximum maturity of any fixed income investment is thirty years. The Trust uses the due date for purposes of determining segmented time distributions. Information about the exposure of the Trust's debt type investments to this risk, using the segmented time distribution model is as follows:

	U.S. Government Agencies	Corporate and Foreign Bonds
June 30, 2022		
Less Than 1 Year	\$ -	\$ 592,184
1 to 5 Years	9,023,959	6,223,100
6 to 10 Years	2,754,768	5,550,486
Over 10 Years	3,748	-
Total	<u>\$ 11,782,475</u>	<u>\$ 12,365,770</u>
June 30, 2021		
Less Than 1 Year	\$ 2,937,096	\$ 733,805
1 to 5 Years	9,632,185	5,273,645
6 to 10 Years	1,355,163	6,182,982
Over 10 Years	6,885	-
Total	<u>\$ 13,931,329</u>	<u>\$ 12,190,432</u>

The Trust invests in loan-backed securities which totaled \$3,748 and \$789,764 as of June 30, 2022 and 2021, respectively. U.S. Government Agency Securities reported above include \$3,748 and \$1,342,048 of loan-backed securities as of June 30, 2022 and 2021, respectively. Loan-backed securities are based on cash flows from the underlying assets, therefore making them sensitive to prepayments that may result from a decline in interest rates. The Trust's investment policy limits the amount invested in loan-backed securities to no more than 50% of the fixed income portfolio.

Foreign Currency Risk:

Foreign currency risk is the risk that changes in the exchange rate of investments will adversely affect the fair value of an investment. The Trust was not exposed to foreign currency risk as of June 30, 2022 and 2021 as the Trust did not have investments denominated in foreign currencies.

■ **NOTE 5 — Change in Capital Assets**

	Beginning Balance	Additions	Deletions	Ending Balance
2022				
Capital assets – not depreciated:				
Land	\$ 252,408	\$ -	\$ -	\$ 252,408
Total capital assets not depreciated	<u>252,408</u>	<u>-</u>	<u>-</u>	<u>252,408</u>
Capital assets being depreciated:				
Building	3,947,564	-	-	3,947,564
EDP	1,458,697	8,527		1,467,224
Furniture & Equipment	389,039		26,876	362,163
Total capital assets - depreciated	<u>5,795,300</u>	<u>8,527</u>	<u>26,876</u>	<u>5,776,951</u>
Total capital assets	<u>6,047,708</u>	<u>8,527</u>	<u>26,876</u>	<u>6,029,359</u>
Accumulated Depreciation:				
Building	1,373,423	98,689	-	1,472,112
EDP	1,448,539	7,613		1,456,152
Furniture & Equipment	328,640	29,744	26,876	331,508
Total accumulated depreciation	<u>3,150,602</u>	<u>136,046</u>	<u>26,876</u>	<u>3,259,772</u>
Net Balance – Capital Assets	<u>\$ 2,897,106</u>	<u>\$ (127,519)</u>	<u>\$ -</u>	<u>\$ 2,769,587</u>
2021				
Capital assets – not depreciated:				
Land	\$ 252,408	\$ -	\$ -	\$ 252,408
Total capital assets not depreciated	<u>252,408</u>	<u>-</u>	<u>-</u>	<u>252,408</u>
Capital assets being depreciated:				
Building	3,947,564	-	-	3,947,564
EDP	1,455,280	8,247	4,830	1,458,697
Furniture & Equipment	361,288	27,751	-	389,039
Total capital assets - depreciated	<u>5,764,132</u>	<u>35,998</u>	<u>4,830</u>	<u>5,795,300</u>
Total capital assets	<u>6,016,540</u>	<u>35,998</u>	<u>4,830</u>	<u>6,047,708</u>
Accumulated Depreciation:				
Building	1,274,733	98,690	-	1,373,423
EDP	1,442,282	11,002	4,745	1,448,539
Furniture & Equipment	297,335	31,305	-	328,640
Total accumulated depreciation	<u>3,014,350</u>	<u>140,997</u>	<u>4,745</u>	<u>3,150,602</u>
Net Balance – Capital Assets	<u>\$ 3,002,190</u>	<u>\$ (104,999)</u>	<u>\$ 85</u>	<u>\$ 2,897,106</u>

■ **NOTE 6 — Unpaid Claims Liabilities and Related Expenses**

The Trust establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of claims and claim adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities for the Trust during the past two fiscal years:

	2022	2021
Balance at beginning of year	<u>\$ 21,723,709</u>	<u>\$ 17,044,058</u>
Incurred related to:		
Current year	12,539,772	11,602,015
Prior years	406,136	309,553
Total incurred	<u>12,945,908</u>	<u>11,911,568</u>
Paid related to:		
Current year	3,636,076	4,204,082
Prior years	6,195,145	3,027,836
Total paid	<u>9,831,221</u>	<u>7,231,918</u>
Balance at end of year	<u>\$ 24,838,396</u>	<u>\$ 21,723,709</u>

Incurred claims and claim adjustment expenses related to prior years increased by approximately \$406,136 and decreased by approximately \$309,553 in fiscal years 2021 and 2020, respectively, as a result of changes in estimates of claims and claim adjustment expenses. Changes in estimates are generally the result of ongoing analysis of loss development trends. Original estimates are adjusted as additional information becomes known regarding individual claims.

■ **NOTE 7 — Rate Stabilization Fund**

The Board approved a return of capital from the PLP of \$1,000,000 for fiscal years 2022 and \$750,000 for fiscal year 2021, respectively.

The return of capital was added to member rate stabilization account balances funded during prior fiscal years. The return of capital, which represents 50% of member account balances, is in the form of premium credits used by pool members of good standing for fiscal years 2022 and 2021 respectively. Rate stabilization credits of \$1,022,331 and \$793,815 were applied and shown as an offset to annual premiums on member invoices in fiscal years 2022 and 2021, respectively. The credit can be used by members each year up to a specified percentage, as approved by the Board, not to exceed 50% of their account balance. Balances remaining in the rate stabilization fund were as follows as of June 30, 2022 and 2021:

	2022	2021
Current	\$ 508,358	\$ 519,535
Noncurrent	508,359	519,535
Total	\$ 1,016,717	\$ 1,039,070

■ **NOTE 8 — Reinsurance**

The Trust uses reinsurance agreements to reduce its exposure to certain large losses. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust as direct insurer of the risks reinsured. The Trust reduces liabilities related to reinsured risks unless it is probable that those risks will not be covered by reinsurers. No allowances were considered necessary as of June 30, 2022 and 2021. The Trust does not generally require collateral to secure reinsurance recoveries, but periodically evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers to minimize its exposures to significant losses from reinsurer insolvency.

The Trust is a member of NLC Mutual Insurance Company (NLC), a captive reinsurance pool whose members consist of certain state self-insurance pools. Each member is required to maintain deposits with NLC based on certain prescribed levels. These balances are reflected in the statements of net position as “deposit with reinsurance pool” and totaled \$10,782,640 and \$9,718,975 as of June 30, 2022 and 2021, respectively.

The Trust did not purchase reinsurance for the standard coverages offered in the PLP for the years ended June 30, 2022 and 2021 and retained the entire \$1,000,000 per occurrence coverage limit. Coverage was provided by NLC for the Trust’s ELP exposure, which insures all losses over the PLP’s coverage of \$1,000,000 with a maximum limit of liability of \$5,000,000. In addition, the Trust also purchased reinsurance for the Property Pool from Alliant Property Insurance Program that covered claims in excess of \$100,000.

Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsurance policy. Net reinsurance recoveries and prepaid expenses amounted to \$1,470,116 and \$122,612, as of June 30, 2022 and 2021, respectively. Over the last three years, incurred and paid claims have not exceeded insurance coverage. There were no ceded reinsurance premiums payable as of June 30, 2022 and 2021, respectively. There were no ceded unearned premiums as of both June 30, 2022 and 2021.

■ **NOTE 9 — LGIT Health**

The Trust paid premiums to LGIT Health totaling \$645,816 and \$619,272 for the years ended June 30, 2022 and 2021, respectively. These premiums represented the Trust’s maximum exposure for health care claims incurred during the year. Claims rebates received by the Trust from LGIT Health based on prior year actual medical claim activity totaled \$176,113 and \$43,640 for the years ended June 30, 2022 and 2021, respectively. Management fees earned by the Trust totaled \$87,000 and \$83,089 for the years ended June 30, 2022 and 2021 respectively.

■ **NOTE 10 — Risk Management**

The Trust is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Trust participates in the property and primary liability pools offered by the Trust and carries commercial insurance for all other risks of loss, including worker’s compensation and errors and omissions. There were no losses in excess of coverages during the last three fiscal year

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Local Government Insurance Trust

Explanation of Required Supplementary Information

Unaudited – See Accompanying Independent Auditors' Report

This section of the Financial Statements provides the reader with a broader understanding of the Trust's operations and its financial trends and conditions than is provided in the Basic Financial Statements. A reconciliation of claims liability by pool for the past two years, as well as claims development information for the last ten years are provided.

Reconciliation of Claims Liabilities and Related Expenses by Pool

The schedule on page 40 represents the changes in claims liabilities for the past two years for each of the Trust's pools.

Claims Development Information

The table on page 41 illustrates how the Trust's earned revenue (net of reinsurance) and investment income compare to related costs of claims (net of losses assumed by reinsurers) and other expenses assumed by the Trust as of the end of each of the past 10 fiscal years. The columns of the table show data for successive policy years. The rows of the table are defined as follows:

Premiums and investment revenue

Amount of reported gross premium and investment revenue, amount of premium revenue ceded and investment revenue.

Unallocated expenses

Amount of reported unallocated claim adjustment expenses and other costs that cannot be associated directly with specific claims.

Estimated claims and allocated expenses, end of policy year

Amount of gross incurred claims and allocated claim adjustment expense, loss assumed by reinsurers, and net amount of incurred claims and allocated claim adjustment expenses (both paid and accrued) as originally reported at the end of the year in which the events that triggered coverage under the policy.

Net paid cumulative as of

Cumulative amount paid (net of recoveries) as of each succeeding year.

Reestimated ceded claims and allocated expenses

Reestimated amount for losses assumed by reinsurers as of the end of the current year.

Reestimated net incurred claims and allocated expenses

Reestimated amount for net incurred claims and claim adjusted expenses as of each succeeding year.

Increase (decrease) in estimated net incurred claims and allocated expenses from end of policy year

The change in net incurred claims and claim adjustment expenses from the original estimate based on the difference between the latest reestimated amount and the original net incurred claims and claim adjustment amounts reported.



Local Government Insurance Trust

Required Supplementary Information

Reconciliation of Claims Liabilities and Related Expenses by Pool

Years Ended June 30, 2022 and 2021

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	COMBINED TOTAL
2022				
Balance at beginning of the year	\$ 20,418,627	\$ 1,305,082	\$ -	21,723,709
Incurred related to:				
Current year	11,123,801	1,415,971	-	12,539,772
Prior year	352,775	53,361	-	406,136
Total incurred	<u>11,476,576</u>	<u>1,469,332</u>	<u>-</u>	<u>12,945,908</u>
Paid related to:				
Current year	3,130,042	506,034	-	3,636,076
Prior year	5,159,225	1,035,920	-	6,195,145
Total paid	<u>8,289,267</u>	<u>1,541,954</u>	<u>-</u>	<u>9,831,221</u>
Balance at end of year	<u>\$ 23,605,936</u>	<u>\$ 1,232,460</u>	<u>\$ -</u>	<u>\$ 24,838,396</u>
2021				
Balance at beginning of the year	\$ 15,687,263	\$ 1,356,796	\$ -	\$ 17,044,058
Incurred related to:				
Current year	9,913,273	1,688,742	-	11,602,015
Prior year	573,353	(263,800)	-	309,553
Total incurred	<u>10,486,626</u>	<u>1,424,942</u>	<u>-</u>	<u>11,911,568</u>
Paid related to:				
Current year	3,554,709	649,373	-	4,204,082
Prior year	2,200,553	827,283	-	3,027,836
Total paid	<u>5,755,262</u>	<u>1,476,656</u>	<u>-</u>	<u>7,231,918</u>
Balance at end of year	<u>\$ 20,418,627</u>	<u>\$ 1,305,082</u>	<u>\$ -</u>	<u>\$ 21,723,709</u>

See explanation of required supplementary information on page 43.



Local Government Insurance Trust

Required Supplementary Information

Claims Development Information

Ten Years Ended June 30, 2013 through June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Premiums and investment revenue:										
Earned,	16,074,673	31,497,331	20,753,326	20,836,691	19,967,515	20,838,873	15,945,449	14,283,844	19,010,252	13,466,254
Ceded	(7,891,398)	(5,902,115)	(5,098,027)	(4,566,018)	(4,355,756)	(4,332,646)	4,688,248	(4,655,168)	(4,501,768)	(3,811,719)
Net earned	8,183,275	25,595,216	15,655,299	16,270,673	15,611,759	16,506,227	20,633,697	9,628,676	14,508,484	9,654,535
Allocated and unallocated expenses	6,103,235	6,087,499	5,740,719	5,727,134	5,387,466	5,354,282	5,193,882	5,077,011	4,965,655	4,777,042
Estimated claims and allocated expenses, end of policy year:										
Incurred	12,550,881	12,211,966	11,324,678	11,900,280	9,981,174	9,947,537	7,830,351	9,596,943	7,638,005	10,296,183
Ceded	11,109	609,951	681,279	472,628	1,388,144	461,543	153,916	927,079	330,666	1,767,934
Net incurred	12,539,772	11,602,015	10,643,399	11,427,652	8,593,030	9,485,994	7,676,435	8,669,864	7,307,339	8,528,249
Net paid claims (cumulative) as of:										
End of policy year	3,636,076	4,204,082	3,482,517	3,557,676	2,961,859	3,183,550	2,906,287	2,557,301	2,258,231	2,555,929
One year later		6,196,766	4,973,985	5,867,936	4,823,465	5,022,009	4,181,666	4,404,013	4,129,786	4,901,366
Two years later			5,940,988	6,629,966	5,773,505	5,610,798	5,031,164	5,373,219	4,638,823	5,683,053
Three years later				8,048,193	6,037,760	5,857,321	5,878,945	6,401,865	5,375,413	6,534,676
Four years later					7,324,549	6,071,654	7,395,875	6,688,115	6,418,744	6,955,798
Five years later						6,272,533	7,636,221	6,979,333	7,170,151	7,708,288
Six years later							7,942,706	7,019,596	7,248,685	7,723,653
Seven years later								7,044,574	7,255,688	7,723,388
Eight years later									7,255,324	7,723,388
Nine years later										7,723,388
Reestimated ceded claims and expenses	11,109	609,951	681,279	472,628	1,388,144	461,543	153,916	927,079	330,666	1,767,934
Reestimated net incurred claims and allocated expenses:										
End of policy year	12,539,772	11,602,015	10,643,399	11,427,652	8,593,030	9,485,994	7,676,435	8,669,864	7,307,339	8,528,249
One year later		10,666,074	9,627,344	10,255,252	8,944,499	7,153,886	6,989,477	8,912,845	6,452,752	8,387,714
Two years later			9,725,610	10,412,453	8,053,963	7,573,178	8,463,476	7,350,055	6,402,323	7,963,399
Three years later				12,660,830	8,609,794	6,481,067	9,373,670	8,358,628	6,443,443	7,906,884
Four years later					8,307,224	6,968,105	9,137,338	7,813,604	7,248,606	7,679,261
Five years later						6,490,862	9,492,800	7,538,239	7,741,291	7,745,837
Six years later							9,328,668	7,478,835	7,400,228	7,730,804
Seven years later								7,504,413	7,255,622	7,723,385
Eight years later									7,255,259	7,723,385
Nine years later										7,723,385
Decrease in estimated net incurred claims and allocated expenses from end of policy year	(935,941)	(917,789)	1,233,178	(285,806)	(2,995,132)	1,652,233	(1,165,451)	(52,080)	(804,864)	

See explanation of required supplementary information on page 43.



Local Government Insurance Trust Combining Schedule of Net Position

Year Ended June 30, 2022

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 53,536,392	\$ 12,816,837	\$ 8,531,086	\$ (72,405,164)	\$ 1,640	\$ 2,480,791
Investments	-	-	-	29,569,998	-	29,569,998
Premiums receivable	-	197,161	3,538	-	-	200,699
Interest income receivable	-	-	-	144,222	-	144,222
Reinsurance receivables	-	2,442,759	-	-	-	2,442,759
Due from (to) other pools/accounts	(8,990,800)	(2,229,419)	(1,187,837)	12,408,056	-	-
Other	46,279	-	-	40,404	-	86,683
Total current assets	<u>44,591,871</u>	<u>13,227,338</u>	<u>7,346,787</u>	<u>(30,242,484)</u>	<u>1,640</u>	<u>34,925,152</u>
Noncurrent assets:						
Investments	-	-	-	28,035,703	-	28,035,703
Capital assets	-	-	-	2,769,587	-	2,769,587
Deposit with reinsurance pool	4,942,435	3,384,222	2,455,983	-	-	10,782,640
Other assets	-	-	-	-	-	-
Total noncurrent assets	<u>4,942,435</u>	<u>3,384,222</u>	<u>2,455,983</u>	<u>30,805,290</u>	<u>-</u>	<u>41,587,930</u>
Total assets	<u>49,534,306</u>	<u>16,611,560</u>	<u>9,802,770</u>	<u>562,806</u>	<u>1,640</u>	<u>76,513,082</u>
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued expenses	11,785	276,184	-	7,687	-	295,656
Unpaid claims and claims adjustment exp.	6,870,177	924,345	-	-	-	7,794,522
Due to health plan cooperative custodian fund	-	-	-	278,619	-	278,619
Rate stabilization fund	508,358	-	-	-	-	508,358
Other liabilities	331	-	-	276,499	-	276,830
Total current liabilities	<u>7,390,651</u>	<u>1,200,529</u>	<u>-</u>	<u>562,805</u>	<u>-</u>	<u>9,153,985</u>
Noncurrent liabilities:						
Unpaid claims and claims adjustment exp.	16,735,759	308,115	-	-	-	17,043,874
Capitalization contributions	-	-	-	-	1,640	1,640
Rate stabilization fund	508,359	-	-	-	-	508,359
Total noncurrent liabilities	<u>17,244,118</u>	<u>308,115</u>	<u>-</u>	<u>-</u>	<u>1,640</u>	<u>17,553,873</u>
Total liabilities	<u>24,634,769</u>	<u>1,508,644</u>	<u>-</u>	<u>562,805</u>	<u>1,640</u>	<u>26,707,858</u>
NET POSITION						
Net investment in capital assets	-	-	-	2,769,587	-	2,769,587
Unrestricted, net position	24,899,537	15,102,916	9,802,770	(2,769,587)	-	47,035,636
Total net position	<u><u>\$ 24,899,537</u></u>	<u><u>\$ 15,102,916</u></u>	<u><u>\$ 9,802,770</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 49,805,223</u></u>

See accompanying notes to supplementary combining schedules.



Local Government Insurance Trust Combining Schedule of Net Position

Year Ended June 30, 2021

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 45,955,689	\$ 13,429,743	\$ 7,572,122	\$ (64,622,779)	\$ 1,640	\$ 2,336,415
Investments	-	-	-	47,818,791	-	47,818,791
Premiums receivable	161,154	215,878	7,061	-	-	384,093
Interest income receivable	-	-	-	119,736	-	119,736
Reinsurance receivables	-	325,032	-	-	-	325,032
Due from (to) other pools/accounts	3,637,708	914,961	1,165,841	(5,718,510)	-	-
Other	44,318	-	-	96,210	-	140,528
Total current assets	<u>49,798,869</u>	<u>14,885,614</u>	<u>8,745,024</u>	<u>(22,306,552)</u>	<u>1,640</u>	<u>51,124,595</u>
Noncurrent assets:						
Investments	-	-	-	22,450,860	-	22,450,860
Capital assets	-	-	-	2,897,106	-	2,897,106
Deposit with reinsurance pool	4,453,150	3,054,486	2,211,339	-	-	9,718,975
Other assets	-	-	-	-	-	-
Total noncurrent assets	<u>4,453,150</u>	<u>3,054,486</u>	<u>2,211,339</u>	<u>25,347,966</u>	<u>-</u>	<u>35,066,941</u>
Total assets	<u>54,252,019</u>	<u>17,940,100</u>	<u>10,956,363</u>	<u>3,041,414</u>	<u>1,640</u>	<u>86,191,536</u>
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued expenses	-	-	-	23,379	-	23,379
Unpaid claims and claims adjustment exp.	6,490,654	1,067,704	-	-	-	7,558,358
Due to health plan cooperative custodian fund	-	-	-	2,726,629	-	2,726,629
Rate stabilization fund	519,535	-	-	-	-	519,535
Other liabilities	331	-	-	291,406	-	291,737
Total current liabilities	<u>7,010,520</u>	<u>1,067,704</u>	<u>-</u>	<u>3,041,414</u>	<u>-</u>	<u>11,119,638</u>
Noncurrent liabilities:						
Unpaid claims and claims adjustment exp.	13,927,973	237,378	-	-	-	14,165,351
Capitalization contributions	-	-	-	-	1,640	1,640
Rate stabilization fund	519,535	-	-	-	-	519,535
Total noncurrent liabilities	<u>14,447,508</u>	<u>237,378</u>	<u>-</u>	<u>-</u>	<u>1,640</u>	<u>14,686,526</u>
Total liabilities	<u>21,458,028</u>	<u>1,305,082</u>	<u>-</u>	<u>3,041,414</u>	<u>1,640</u>	<u>25,806,164</u>
NET POSITION						
Net investment in capital assets	-	-	-	2,897,106	-	2,897,106
Unrestricted, net position	32,793,991	16,635,018	10,956,363	(2,897,106)	-	57,488,266
Total net position	<u>\$ 32,793,991</u>	<u>\$ 16,635,018</u>	<u>\$ 10,956,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,385,372</u>

See accompanying notes to supplementary combining schedules.



Local Government Insurance Trust
Combining Schedule of Revenues, Expenses and
Changes in Net Position
 Year Ended June 30, 2022

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
OPERATING REVENUES						
Gross premiums earned	\$ 14,110,701	\$ 9,473,855	\$ 945,600	\$ -	\$ -	\$ 24,530,156
Less: premium credits	(2,383,769)	(742,913)	(414,374)	-	-	(3,541,056)
ceded premiums	(43,809)	(7,047,589)	(800,000)	-	-	(7,891,398)
Net premiums earned	11,683,123	1,683,353	(268,774)	-	-	13,097,702
Other Revenues	-	-	-	285,742	-	285,742
Total operating revenues	11,683,123	1,683,353	(268,774)	285,742	-	13,383,444
OPERATING EXPENSES						
Incurred claims and claim adjustment expenses:						
Paid (net of recoveries)	8,289,267	1,541,954	-	-	-	9,831,221
Change in liability for unpaid claims and claim adjustment expenses	3,187,309	(72,622)	-	-	-	3,114,687
General and administrative expenses	-	-	-	5,967,189	-	5,967,189
Depreciation expense	-	-	-	136,046	-	136,046
Total operating expenses	11,476,576	1,469,332	-	6,103,235	-	19,049,143
Operating income (loss)	206,547	214,021	(268,774)	(5,817,493)	-	(5,665,699)
NONOPERATING REVENUES (EXPENSES)						
Investment income	889,812	483,303	303,021	(6,590,563)	-	(4,914,427)
Interest expense	-	-	-	-	-	-
Allocations of operating account revenues (note 2)	(4,413,374)	(1,008,772)	(882,675)	6,304,821	-	-
Allocations of operating account expenses (note 2)	(4,577,426)	(1,220,647)	(305,162)	6,103,235	-	-
Total nonoperating revenues (expenses)	(8,100,988)	(1,746,116)	(884,816)	5,817,493	-	(4,914,427)
Change in net position	(7,894,441)	(1,532,095)	(1,153,590)	-	-	(10,580,126)
Net position, beginning of year	32,793,978	16,635,011	10,956,360	-	-	60,385,349
Net position, end of year	\$ 24,899,537	\$ 15,102,916	\$ 9,802,770	\$ -	\$ -	\$ 49,805,223

See accompanying notes to supplementary combining schedules.



Local Government Insurance Trust
Combining Schedule of Revenues, Expenses and
Changes in Net Position
Year Ended June 30, 2021

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
OPERATING REVENUES						
Gross premiums earned	\$ 13,346,664	\$ 7,419,963	\$ 856,796	\$ -	\$ -	\$ 21,623,423
Less: premium credits	(2,122,675)	(796,438)	(326,193)	-	-	(3,245,306)
ceded premiums	(31,205)	(5,026,040)	(844,870)	-	-	(5,902,115)
Net premiums earned	11,192,784	1,597,485	(314,267)	-	-	12,476,002
Other Revenues	-	-	-	188,384	-	188,384
Total operating revenues	11,192,784	1,597,485	(314,267)	188,384	-	12,664,386
OPERATING EXPENSES						
Incurred claims and claim adjustment expenses:						
Paid (net of recoveries)	5,755,262	1,476,656	-	-	-	7,231,918
Change in liability for unpaid claims and claim adjustment expenses	4,731,364	(51,714)	-	-	-	4,679,650
General and administrative expenses	-	-	-	5,946,502	-	5,946,502
Depreciation expense	-	-	-	140,997	-	140,997
Total operating expenses	10,486,626	1,424,942	-	6,087,499	-	17,999,067
Operating income (loss)	706,158	172,543	(314,267)	(5,899,115)	-	(5,334,681)
NONOPERATING REVENUES (EXPENSES)						
Investment income	750,795	375,397	375,397	11,617,625	-	13,119,214
Interest expense	-	-	-	-	-	-
Allocations of operating account revenues (note 2)	8,264,207	1,888,961	1,652,841	(11,806,009)	-	-
Allocations of operating account expenses (note 2)	(4,626,499)	(974,000)	(487,000)	6,087,499	-	-
Total nonoperating revenues (expenses)	4,388,503	1,290,358	1,541,238	5,899,115	-	13,119,214
Change in net position	5,094,661	1,462,901	1,226,971	-	-	7,784,533
Net position, beginning of year	27,699,330	15,172,117	9,729,392	-	-	52,600,839
Net position, end of year	\$ 32,793,991	\$ 16,635,018	\$ 10,956,363	\$ -	\$ -	\$ 60,385,372

See accompanying notes to supplementary combining schedules.



Local Government Insurance Trust Combining Schedule of Cash Flows

Year Ended June 30, 2022

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
Cash flows from operating activities:						
Premiums collected	\$ 11,877,518	\$ 8,749,659	\$ 534,749	\$ -	\$ -	\$ 21,161,926
Other revenue collected	-	-	-	340,905	-	340,905
Recoveries of claims paid	1,031,099	947,265	-	-	-	1,978,364
Ceded premiums paid	(43,809)	(6,771,405)	(800,000)	-	-	(7,615,214)
Claims and claim adjustment expenses paid	(9,322,327)	(4,606,946)	-	-	-	(13,929,273)
General and administrative expenses paid	-	-	-	(5,997,145)	-	(5,997,145)
Net cash provided by (used in) operating activities	<u>3,542,481</u>	<u>(1,681,427)</u>	<u>(265,251)</u>	<u>(5,656,240)</u>	<u>-</u>	<u>(4,060,437)</u>
Cash flows from noncapital financing activities:						
Transfers from (to) other pools/accounts	3,637,708	914,961	1,165,841	(5,718,510)	-	-
Net Health Cooperative cash flows	-	-	-	(2,448,011)	-	(2,448,011)
Net cash provided by (used in) noncapital financing activities	<u>3,637,708</u>	<u>914,961</u>	<u>1,165,841</u>	<u>(8,166,521)</u>	<u>-</u>	<u>(2,448,011)</u>
Cash flows from capital and related financing activities:						
Purchase of capital assets	-	-	-	(8,527)	-	(8,527)
Net cash flows used in capital and related financing activities	-	-	-	(8,527)	-	(8,527)
Cash flows from investing activities:						
Purchase of investments	-	-	-	(37,784,073)	-	(37,784,073)
Proceeds from maturities of investments	-	-	-	40,921,227	-	40,921,227
Investment income received	400,514	153,560	58,374	2,911,749	-	3,524,197
Net cash provided by in investing activities	<u>400,514</u>	<u>153,560</u>	<u>58,374</u>	<u>6,048,903</u>	<u>-</u>	<u>6,661,351</u>
Net change in cash and cash equivalents	7,580,703	(612,906)	958,964	(7,782,385)	-	144,376
Cash and cash equivalents, beginning of year	45,955,689	13,429,743	7,572,122	(64,622,779)	1,640	2,336,415
Cash and cash equivalents, end of year	<u>\$ 53,536,392</u>	<u>\$ 12,816,837</u>	<u>\$ 8,531,086</u>	<u>\$ (72,405,164)</u>	<u>\$ 1,640</u>	<u>\$ 2,480,791</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 206,547	\$ 214,021	\$ (268,774)	\$ (5,817,493)	\$ -	\$ (5,665,699)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	-	-	-	136,046	-	136,046
Effects of changes in operating assets and liabilities:						
Premiums receivable	161,154	18,717	3,523	-	-	183,394
Reinsurance receivables	-	(2,117,727)	-	-	-	(2,117,727)
Other assets	(1,961)	-	-	55,806	-	53,845
Operating accounts payable and accrued expenses	11,785	276,184	-	(15,692)	-	272,277
Unpaid claims and claim adjustment expenses	3,187,309	(72,622)	-	-	-	3,114,687
Other liabilities	(22,353)	-	-	(14,907)	-	(37,260)
Total adjustments	<u>3,335,934</u>	<u>(1,895,448)</u>	<u>3,523</u>	<u>161,253</u>	<u>-</u>	<u>1,605,262</u>
Net cash provided by (used in) operating activities	<u>\$ 3,542,481</u>	<u>\$ (1,681,427)</u>	<u>\$ (265,251)</u>	<u>\$ (5,656,240)</u>	<u>\$ -</u>	<u>\$ (4,060,437)</u>

See accompanying notes to supplementary combining schedules.



Local Government Insurance Trust Combining Schedule of Cash Flows

Year Ended June 30, 2021

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
Cash flows from operating activities:						
Premiums collected	\$ 10,970,642	\$ 6,486,101	\$ 521,227	\$ -	\$ -	\$ 17,977,970
Other revenue collected	-	-	-	188,384	-	188,384
Recoveries of claims paid	781,506	597,310	-	-	-	1,378,816
Ceded premiums paid	(31,205)	(5,026,040)	(844,870)	-	-	(5,902,115)
Claims and claim adjustment expenses paid	(6,553,692)	(1,835,229)	-	-	-	(8,388,921)
General and administrative expenses paid	-	-	-	(5,847,355)	-	(5,847,355)
Net cash provided by (used in) operating activities	<u>5,167,251</u>	<u>222,142</u>	<u>(323,643)</u>	<u>(5,658,971)</u>	<u>-</u>	<u>(593,221)</u>
Cash flows from noncapital financing activities:						
Transfers from (to) other pools/accounts	(2,868,646)	(576,961)	(160,398)	3,606,005	-	-
Net Health Cooperative cash flows	-	-	-	1,703,449	-	1,703,449
Net cash provided by (used in) noncapital financing activities	<u>(2,868,646)</u>	<u>(576,961)</u>	<u>(160,398)</u>	<u>5,309,454</u>	<u>-</u>	<u>1,703,449</u>
Cash flows from capital and related financing activities:						
Purchase of capital assets	-	-	-	(35,998)	-	(35,998)
Net cash flows used in capital and related financing activities	-	-	-	(35,998)	-	(35,998)
Cash flows from investing activities:						
Purchase of investments	-	-	-	(22,641,792)	-	(22,641,792)
Proceeds from maturities of investments	-	-	-	19,604,707	-	19,604,707
Investment income received	961,217	-	-	1,684,532	-	2,645,749
Net cash provided by in investing activities	<u>961,217</u>	<u>-</u>	<u>-</u>	<u>(1,352,553)</u>	<u>-</u>	<u>(391,336)</u>
Net change in cash and cash equivalents	3,259,822	(354,819)	(484,041)	(1,738,068)	-	682,894
Cash and cash equivalents, beginning of year	42,695,867	13,784,562	8,056,163	(62,884,711)	1,640	1,653,521
Cash and cash equivalents, end of year	<u>\$ 45,955,689</u>	<u>\$ 13,429,743</u>	<u>\$ 7,572,122</u>	<u>\$ (64,622,779)</u>	<u>\$ 1,640</u>	<u>\$ 2,336,415</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 706,158	\$ 172,543	\$ (314,267)	\$ (5,899,115)	\$ -	\$ (5,334,681)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	-	-	-	140,997	-	140,997
Effects of changes in operating assets and liabilities:						
Premiums receivable	(209,532)	(137,424)	(9,376)	-	-	(356,332)
Reinsurance receivables	-	238,737	-	-	-	238,737
Other assets	(16,923)	-	-	14,072	-	(2,851)
Operating accounts payable and accrued expenses	-	-	-	(12,723)	-	(12,723)
Unpaid claims and claim adjustment expenses	4,731,364	(51,714)	-	-	-	4,679,650
Other liabilities	(43,816)	-	-	97,798	-	53,982
Total adjustments	<u>4,461,093</u>	<u>49,599</u>	<u>(9,376)</u>	<u>240,144</u>	<u>-</u>	<u>4,741,460</u>
Net cash provided by (used in) operating activities	<u>\$ 5,167,251</u>	<u>\$ 222,142</u>	<u>\$ (323,643)</u>	<u>\$ (5,658,971)</u>	<u>\$ -</u>	<u>\$ (593,221)</u>

See accompanying notes to supplementary combining schedules.

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Local Government Insurance Trust

Notes to Supplementary Combining Schedules

Years Ended June 30, 2021 and 2020

■ NOTE 1 — DESCRIPTION OF POOL COVERAGES

The pools provide insurance coverage in the following areas up to the indicated limits:

Primary Liability Pool Coverage

<u>POOL COVERAGE</u>	<u>COVERAGE LIMITS</u>
COMMERCIAL GENERAL LIABILITY	
Bodily Injury and Property Damage	\$ 1,000,000 each occurrence \$ 3,000,000 annual aggregate
LIABILITY SUBLIMITS	
Products and Completed Operations	\$ 3,000,000 annual aggregate
Personal Injury and Advertising Injury	\$ 1,000,000 each offense
Medical Payments	\$ 5,000 each person \$ 1,000,000 each occurrence
Fire Legal Liability	\$ 1,000,000 each occurrence
POLICE LEGAL LIABILITY	
	\$ 1,000,000 each wrongful act \$ 3,000,000 annual aggregate
PUBLIC OFFICIALS LIABILITY	
	\$ 1,000,000 each wrongful act \$ 3,000,000 annual aggregate
BUSINESS AUTOMOBILE COVERAGE	
Automobile Liability	\$ 1,000,000 per accident
Garagekeepers Liability	
Comprehensive	\$ 1,000,000 per occurrence
Collision	\$ 1,000,000 per occurrence

The public officials legal liability and police legal liability coverages are on a claim made basis with limited coverage for unknown acts prior to July 1, 1987 and provide for coverage under an extended discovery period in the event of participant cancellation.

The maximum limit of liability to the Primary Liability Pool (PLP) may not exceed \$1,000,000 for any one claim or occurrence per participant, regardless of any applicable primary liability coverage.

Property Pool Coverage

The pool shall not be liable for more than the insured value of the property covered with limits not to exceed the blanket values declared per entity in any one occurrence, except:

- A. \$5,000,000 per entity per occurrence and annual aggregate with respect to the peril of flood
- B. \$5,000,000 per entity per occurrence and annual aggregate with respect to the peril of earthquake

The Trust also offers Boiler and Machinery coverage with limits not to exceed the blanket building and contents limit. The Trust reinsures 100% of the related risk.

Excess Liability Pool Coverage

The maximum limit of liability to the Excess Liability Pool (ELP) is \$5,000,000 for each occurrence and in the aggregate for occurrence-based coverage; and \$5,000,000 for each occurrence, and in the aggregate, for claims-made coverage. Participants in the ELP must either self-insure retention of \$1,000,000 or purchase primary liability coverages from the Trust. The Trust will not insure coverages over other commercial insurance companies.

Pool Membership and Demographic Information

Membership in each pool consists of counties, municipalities, and others, which include sponsored entities as well as the founders of the Trust, the Maryland Municipal League, and the Maryland Association of Counties. The following represents the participants for fiscal year 2022 and 2021.

	POOL TOTALS		COUNTIES		MUNICIPALITIES		OTHER	
	2022	2021	2022	2021	2022	2021	2022	2021
Primary	184	183	14	14	145	145	25	24
Property	171	170	17	17	138	138	16	15
Excess	188	187	15	15	146	146	27	26

■ NOTE 2 — DESCRIPTION OF ACCOUNTS

Operating Account

The pools have been established to account for all premiums, claims and administrative costs attributable to the particular coverages. Administrative costs not specifically identified with a particular pool, investments, investment income and other undesignated income are accounted for in the operating account. Under the Trust Agreement, amounts necessary to fund operating expenses are transferred from the various pools to the operating account.

To accomplish this, each pool was allocated a portion of the revenues and expenses accumulated within the operating account for fiscal years 2022 and 2021. The expense amounts allocated to each pool were determined based on a time study among Trust personnel and related judgments considered by management to be relevant under the circumstances. Additionally, the revenue amounts allocated to each pool were in proportion to the pools share of cash and investments.

■ NOTE 3 — RECLASSIFICATIONS

Certain fiscal year 2021 amounts have been reclassified to conform to fiscal year 2022 presentations. The reclassification had no effect on net position or changes therein.

Statistical Section

The Statistical Section provides detailed information for the Local Government Insurance Trust as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Trust's overall financial health. The tables in this section are unaudited because they often present data from outside accounting records.

Financial Trends – The Comparative Schedule of Revenues, Expenses and Changes in Net position, and the Member Growth Analysis chart contain trend information to help the reader understand how the Trust's financial performance and well-being have changed over time.

Loss Development – The schedules of Loss History and Average Claim Costs, Reported Claim Activity and Loss Development, present claim information to help the reader understand how reported claims develop over time.

Demographic and Economic Information – The State of Maryland Demographic and Economic Statistical information and the chart of the Ten Largest Employers in the State of Maryland help the reader to understand the environment within which the Trust's financial activities take place.

Comparative Schedule of Revenues, Expenses and Changes in Net Position

Member Growth Analysis

Loss History and Average Claim Costs

Reported Claim Activity

Loss Development

State of Maryland Demographic and Economic Statistics

Ten Largest Employers State of Maryland

**Chesapeake Bay Maritime Museum
Talbot County**





Local Government Insurance Trust

Comparative Schedule of Revenues, Expenses and Changes in Net Position

Ten Years Ended June 30, 2013 through June 30, 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
REVENUES										
Gross premiums earned	\$15,764,047	\$18,068,092	\$18,309,555	\$19,005,448	\$19,613,355	\$19,628,413	\$ 19,902,539	\$ 20,949,856	\$ 21,623,423	\$ 24,530,156
Less: premium credits ceded premiums	(3,272,437)	(2,979,294)	(2,950,760)	(2,912,176)	(3,008,046)	(2,947,572)	(3,224,731)	(3,102,287)	(3,245,306)	(3,541,056)
Net premiums earned	(3,811,719)	(4,501,768)	(4,655,168)	(4,688,248)	(4,332,646)	(4,355,756)	(4,566,018)	(5,098,027)	(5,902,115)	(7,891,398)
Other	8,679,891	10,587,030	10,703,627	11,405,024	12,272,663	12,325,085	12,111,790	12,749,542	12,476,002	13,097,702
Total operating revenues	92,821	86,103	163,691	176,600	168,694	143,419	324,370	133,528	188,384	285,742
	<u>8,772,712</u>	<u>10,673,133</u>	<u>10,867,318</u>	<u>11,581,624</u>	<u>12,441,357</u>	<u>12,468,504</u>	<u>12,436,160</u>	<u>12,883,070</u>	<u>12,664,386</u>	<u>13,383,444</u>
Operating Expenses										
Incurred claims and claim adjustment expenses:										
Paid (net of recoveries)	6,210,849	7,149,256	5,969,651	6,584,676	6,764,049	8,723,391	7,937,092	8,904,691	7,231,918	9,831,221
Change in liability for unpaid claims and claim adjustment exp.	1,659,613	(261,026)	(20,892)	381,229	333,371	967,145	5,050,472	(2,262,564)	4,679,650	3,114,687
General and administrative	4,777,042	4,965,655	5,077,011	5,193,882	5,354,282	5,387,466	5,727,133	5,740,719	6,087,499	6,103,235
Total operating expenses	<u>12,647,504</u>	<u>11,853,885</u>	<u>11,025,770</u>	<u>12,159,787</u>	<u>12,451,702</u>	<u>15,078,002</u>	<u>18,714,697</u>	<u>12,382,846</u>	<u>17,999,067</u>	<u>19,049,143</u>
Operating income	(3,874,792)	(1,180,752)	(158,452)	(578,163)	(10,345)	(2,609,498)	(6,278,537)	500,224	(5,334,681)	(5,665,699)
NONOPERATING REVENUES (EXPENSES)										
Investment income	974,644	3,921,454	(1,074,951)	(147,823)	4,233,564	3,286,575	4,158,883	2,905,757	13,119,214	(4,914,427)
Interest expense	-	-	-	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>974,644</u>	<u>3,921,454</u>	<u>(1,074,951)</u>	<u>(147,823)</u>	<u>4,233,564</u>	<u>3,286,575</u>	<u>4,158,883</u>	<u>2,905,757</u>	<u>13,119,214</u>	<u>(4,914,427)</u>
Change in net position	(2,900,148)	2,740,702	(1,233,403)	(725,986)	4,223,219	677,077	(2,119,654)	3,405,981	7,784,533	(10,580,126)
Total net position beginning of year	48,533,051	45,632,903	48,373,605	47,140,202	46,414,216	50,637,435	51,314,512	49,194,858	52,600,839	60,385,349
Total net position end of year	<u>\$45,632,903</u>	<u>\$48,373,605</u>	<u>\$47,140,202</u>	<u>\$46,414,216</u>	<u>\$50,637,435</u>	<u>\$51,314,512</u>	<u>\$49,194,858</u>	<u>\$52,600,839</u>	<u>\$60,385,372</u>	<u>\$49,805,223</u>
Total assets	60,911,733	63,013,526	61,788,515	60,754,769	67,215,723	70,403,524	71,886,236	71,982,644	86,191,536	76,513,082
Total liabilities	15,278,830	14,639,921	14,648,313	14,340,553	16,578,288	19,089,012	22,691,378	19,381,805	25,806,164	26,707,858
Net assets	<u>45,632,903</u>	<u>48,373,605</u>	<u>47,140,202</u>	<u>46,414,216</u>	<u>50,637,435</u>	<u>51,314,512</u>	<u>49,194,858</u>	<u>52,600,839</u>	<u>60,385,372</u>	<u>49,805,224</u>



Local Government Insurance Trust

Member Growth Analysis

Ten Years Ended June 30, 2013 through June 30, 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total number of members	179	179	181	182	183	185	190	190	190	191
Total employees	31	30	30	30	30	30	28	28	30	31
Total annual payroll	\$ 2,672,691	\$ 2,811,433	\$ 2,795,156	\$ 2,946,263	\$ 3,105,795	\$ 2,931,027	\$ 3,343,480	\$ 3,416,558	\$ 3,397,230	\$ 3,494,401
Total net premiums earned	\$ 8,679,891	\$ 10,587,030	\$ 10,703,627	\$ 11,398,734	\$ 12,272,663	\$ 12,325,085	\$ 12,111,790	\$ 12,749,542	\$ 12,476,002	\$ 13,097,702
Total number of claims	1,441	1,616	1,564	1,629	1,505	1,733	1,827	1,589	1,757	1,733
Total reported losses	\$ 6,209,028	\$ 3,805,887	\$ 5,011,874	\$ 4,079,032	\$ 5,127,450	\$ 4,376,102	\$ 6,923,713	\$ 5,587,331	\$ 6,523,455	\$ 6,691,373

Total reported losses represent paid losses plus case base reserves.



Local Government Insurance Trust

Loss History and Average Claims Costs

Ten Years Ended June 30, 2013 through June 30, 2022

During the last ten years, the Trust has incurred the following reported losses (net paid claims plus case reserves) resulting from claims incurred by pool members. These figures do not include incurred but not reported claims.

Total Reported Losses

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Auto Liability	1,107,911	1,473,339	1,605,272	1,390,872	987,988	1,735,246	2,271,573	1,492,112	1,272,331	1,689,451
Auto Physical	809,679	1,107,987	1,059,827	1,450,613	1,598,265	1,284,742	2,059,688	1,641,908	2,284,415	2,219,962
General Liability	4,834,411	3,935,449	3,592,402	5,518,203	2,802,489	3,983,325	6,558,806	3,255,320	2,428,625	1,595,600
Property	971,387	738,549	1,108,795	688,637	982,232	946,938	1,124,110	1,540,593	1,750,170	1,186,360
Excess	-	-	-	-	-	-	-	-	-	-
Total	\$ 7,723,388	\$ 7,255,324	\$ 7,366,296	\$ 9,048,325	\$ 6,370,974	\$ 7,950,251	\$ 12,014,177	\$ 7,929,933	\$ 7,735,541	\$ 6,691,373

Average Cost per Claim

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Auto Liability	\$ 3,574	\$ 3,483	\$ 4,191	\$ 3,409	\$ 2,897	\$ 4,847	\$ 5,870	\$ 4,892	\$ 3,867	\$ 4,603
Auto Physical	2,076	2,225	2,324	2,467	2,849	2,185	3,056	2,792	3,643	3,558
General Liability	9,968	6,739	6,130	11,103	6,242	7,309	10,859	6,236	4,195	2,917
Property	3,870	6,776	8,942	5,101	6,505	4,099	7,395	8,905	8,065	6,147
Excess	-	-	-	-	-	-	-	-	-	-



Local Government Insurance Trust

Reported Claims Activity

Ten Years Ended June 30, 2013 through June 30, 2022

The Trust has incurred the following number of reported claims during the last ten years.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Auto Liability	310	423	383	408	341	358	387	305	329	367
Auto Physical	390	498	456	588	561	588	674	588	627	624
General Liability	485	584	586	497	449	545	604	522	579	547
Property	251	109	124	135	151	231	152	173	217	193
Excess	5	2	15	1	3	11	10	1	5	2
Total	1,441	1,616	1,564	1,629	1,505	1,733	1,827	1,589	1,757	1,733
<hr/>										
Closed Claims	908	1,111	1,087	1,159	1,075	1,124	1,354	1,213	1,248	1,228
Open Claims	533	505	477	470	430	609	473	376	509	505
Total	1,441	1,616	1,564	1,629	1,505	1,733	1,827	1,589	1,757	1,733
<hr/>										
Prior year claims closed	768	707	873	661	649	664	854	878	557	701
Current year claims closed	908	1,111	1,087	1,159	1,075	1,124	1,354	1,213	1,248	1,228
Total claims closed during year	1,676	1,818	1,960	1,820	1,724	1,788	2,208	2,091	1,805	1,929
<hr/>										
Number of Members	179	179	181	182	183	185	190	190	190	191



Local Government Insurance Trust

Loss Development

Ten Years Ended June 30, 2013 through June 30, 2022

Paid Losses as of June 30

CLAIM YEAR	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2013	2,555,929	4,901,366	5,683,053	6,534,676	6,955,798	7,708,288	7,723,653	7,723,388	7,723,388	7,723,388
2014		2,258,231	4,129,786	4,638,823	5,375,413	6,418,744	7,170,151	7,248,685	7,255,688	7,255,324
2015			2,557,301	4,404,013	5,373,218	6,401,864	6,688,115	6,979,333	7,019,596	7,044,574
2016				2,906,287	4,181,666	5,031,164	5,878,945	7,395,875	7,636,221	7,942,706
2017					3,183,550	5,022,009	5,610,798	5,857,321	6,071,654	6,272,533
2018						2,961,859	4,823,465	5,773,505	6,037,760	7,324,549
2019							3,557,676	5,867,936	6,629,966	8,048,193
2020								3,482,517	4,973,985	5,940,988
2021									4,204,082	6,196,766
2022										3,636,076
Total	\$ 2,555,929	\$ 7,159,597	\$ 12,370,140	\$ 18,483,799	\$ 25,069,645	\$ 33,543,928	\$ 41,452,803	\$ 50,328,561	\$ 57,552,341	\$ 67,385,097

Loss Payments During the Year Ended

CLAIM YEAR	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2013	2,555,929	2,345,437	781,687	851,623	421,122	752,490	15,365	(265)	0	-
2014		2,258,231	1,871,555	509,037	736,590	1,043,331	751,407	78,534	7,003	(364)
2015			2,557,301	1,846,712	969,205	1,028,646	286,251	291,218	40,263	24,978
2016				2,906,287	1,275,379	849,498	847,781	1,516,930	240,346	306,485
2017					3,183,550	1,838,459	588,789	246,523	214,332	200,879
2018						2,961,859	1,861,606	950,040	264,255	1,286,789
2019							3,557,676	2,310,260	762,031	1,418,227
2020								3,482,517	1,491,468	967,002
2021									4,204,082	1,992,684
2022										3,636,076
Sub-total	\$ 2,555,929	\$ 4,603,668	\$ 5,210,543	\$ 6,113,659	\$ 6,585,846	\$ 8,474,283	\$ 7,908,875	\$ 8,875,758	\$ 7,223,780	\$ 9,832,756

Losses Paid for Years Prior to 2013	3,654,920	2,545,587	759,108	471,018	178,203	249,108	28,217	28,933	8,138	(1,535)
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Total Losses per Statements of Revenues, Expenses and

Changes in Net Position	\$ 6,210,849	\$ 7,149,255	\$ 5,969,651	\$ 6,584,677	\$ 6,764,049	\$ 8,723,391	\$ 7,937,092	\$ 8,904,691	\$ 7,231,918	\$ 9,831,221
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Local Government Insurance Trust

Loss Development

Ten Years Ended June 30, 2013 through June 30, 2022

Case Reserves as of June 30

CLAIM YEAR	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2013	2,564,635	1,307,662	907,151	738,905	396,679	12,658	4,301	-	-	-
2014		1,547,656	702,160	822,787	567,761	499,801	384,494	103,605	-	-
2015			2,454,573	1,986,485	871,596	1,008,811	792,083	363,986	326,161	321,722
2016				1,172,745	1,052,869	1,742,851	2,637,054	1,280,400	1,260,521	1,105,619
2017					1,943,901	425,511	629,449	243,907	571,065	98,441
2018						1,414,243	1,525,144	975,663	1,661,595	625,702
2019							3,366,037	1,636,666	2,277,841	3,965,984
2020								2,104,814	1,828,413	1,988,945
2021									2,319,373	1,538,775
2022										3,055,297
Total	\$ 2,564,635	\$ 2,855,318	\$ 4,063,884	\$ 4,720,922	\$ 4,832,806	\$ 5,103,875	\$ 9,338,562	\$ 6,709,041	\$ 10,244,969	\$ 12,700,485

Change in Case Reserves During the Year Ended

CLAIM YEAR	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2013	2,564,635	(1,256,973)	(400,511)	(168,246)	(342,226)	(384,021)	(8,357)	(4,301)	-	-
2014		1,547,656	(845,496)	120,627	(255,026)	(67,960)	(115,307)	(280,889)	(103,605)	-
2015			2,454,573	(468,088)	(1,114,889)	137,215	(216,728)	(428,097)	(37,825)	(4,439)
2016				1,172,745	(119,876)	689,982	894,203	(1,356,654)	(19,879)	(154,902)
2017					1,943,901	(1,518,390)	203,938	(385,542)	327,158	(472,624)
2018						1,414,243	110,901	(549,481)	685,932	(1,035,893)
2019							3,366,037	(1,729,371)	641,175	1,688,143
2020								2,104,814	(276,401)	160,532
2021									2,319,373	(780,598)
2022										3,055,297
Total	\$ 2,564,635	\$ 290,683	\$ 1,208,566	\$ 657,038	\$ 111,884	\$ 271,069	\$ 4,234,687	\$ (2,629,521)	\$ 3,535,928	\$ 2,455,516



Local Government Insurance Trust Loss Development

Ten Years Ended June 30, 2013 through June 30, 2022

Reported Losses (Paid Losses Plus Case Reserves) as of June 30

CLAIM YEAR	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2013	5,120,564	6,209,028	6,590,204	7,273,581	7,352,477	7,720,946	7,727,954	7,723,388	7,723,388	7,723,388
2014		3,805,887	4,831,946	5,461,610	5,943,174	6,918,545	7,554,645	7,352,290	7,255,688	7,255,324
2015			5,011,874	6,390,498	6,244,814	7,410,675	7,480,198	7,343,319	7,345,757	7,366,296
2016				4,079,032	5,234,535	6,774,015	8,515,999	8,676,275	8,896,742	9,048,325
2017					5,127,451	5,447,520	6,240,247	6,101,228	6,642,719	6,370,974
2018						4,376,102	6,348,609	6,749,168	7,699,355	7,950,251
2019							6,923,713	7,504,602	8,907,807	12,014,177
2020								5,587,331	6,802,398	7,929,933
2021									6,523,455	7,735,541
2022										6,691,373
Total	\$ 5,120,564	\$ 10,014,915	\$ 16,434,024	\$ 23,204,721	\$ 29,902,451	\$ 38,647,803	\$ 50,791,365	\$ 57,037,602	\$ 67,797,310	\$ 80,085,582

Incremental Losses Reported During the Year Ended

CLAIM YEAR	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2013	5,120,564	1,088,464	381,176	683,377	78,896	368,469	7,008	(4,566)	0	-
2014		3,805,887	1,026,059	629,664	481,564	975,371	636,100	(202,355)	(96,602)	(364)
2015			5,011,874	1,378,624	(145,684)	1,165,861	69,523	(136,879)	2,438	20,539
2016				4,079,032	1,155,503	1,539,480	1,741,984	160,276	220,467	151,583
2017					5,127,451	320,069	792,727	(139,019)	541,490	(271,745)
2018						4,376,102	1,972,507	400,559	950,187	250,896
2019							6,923,713	580,889	1,403,206	3,106,370
2020								5,587,331	1,215,067	1,127,534
2021									6,523,455	1,212,086
2022										6,691,373
Total	\$ 5,120,564	\$ 4,894,351	\$ 6,419,109	\$ 6,770,697	\$ 6,697,730	\$ 8,745,352	\$ 12,143,562	\$ 6,246,237	\$ 10,759,708	\$ 12,288,272

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State of Maryland Demographic and Economic Statistics:

	2022	2021
Population (1)	6,195,885	6,198,227
Median household income (2)	\$ 88,550	\$ 86,738
Unemployment rate (3)	6.3%	6.0%

Land area – 12,407 square miles

(1) U.S. Census Bureau estimate for 2020 as of April 1, 2020. The 2021 World Population Review estimate does not include year-end data. Maryland is ranked 19th in U.S. population and 42nd in size among the 50 states.

(2) Maryland Department of Commerce. Maryland's median household income is \$86,738 vs. \$62,843 for the country. Maryland is home to three of the top 20 counties in the nation for median household income, Howard County ranks second (\$120,941), Montgomery 17th (\$99,763) and Calvert 18th (\$98,732) among 800+ counties with a population of 65,000 or greater.

(3) U.S. Department of Labor, Bureau of Labor Statistics, as of July 2021, ranked 17th in the U.S.

Ten Largest Employers State of Maryland (1):

U.S. Social Security Administration	60,000	Federal Agency
Fort George G. Meade	56,000	Military installation/intelligence
Johns Hopkins University	40,000	Higher education
Johns Hopkins Hospital & Health System	40,000	Hospitals; health services
Joint Base Andrews	33,000	Military Installation
University of Maryland Medical System	29,000	Hospitals; health services
University System of Maryland	21,565	Higher education
Aberdeen Proving Ground	21,000	Military Installation
National Institutes of Health	20,262	Federal Agency
U.S. Food and Drug Administration	18,000	Federal Agency

(1) Source: Maryland Department of Commerce, 2020-2021. Excludes post offices, state and local governments; includes public higher education institutions.

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**C & D Canal Museum
Chesapeake City**



THE LGIT MISSION

The Local Government Insurance Trust provides insurance coverage and risk management services at stable and competitive rates through an organization that is owned and managed by its Maryland local government members.

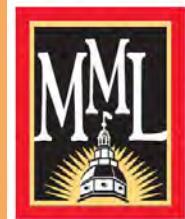
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**C & D Canal Museum Lighthouse
Chesapeake City**



FOUNDING ORGANIZATIONS



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